G-034000
EXHIBIT INDEX ... 25.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ORIGINAL
S 28-728

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1983 — Commission file number 1-5026

G A F Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-0762027 (I.R.S. Employer Identification No.)
140 West 51st Street, New York, New York (Address of principal executive offices)	10020 (Zip Code)

Registrant's telephone number, including area code:
(212) 621-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Preferred Stock, par value $1.00 per share	New York Stock Exchange
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes. .X. No. . .

State the aggregate market value of the voting stock held by non-affiliates of the registrant, as of March 21, 1984. Computed by reference to the closing price on the New York Stock Exchange of the registrant's Common Stock and $1.20 Convertible Preferred Stock on such date ($17 and $22, respectively). For purposes of this computation, voting stock held by officers and directors of the registrant has been excluded. Such exclusion is not intended, and shall not be deemed, to be an admission that such officers and directors are affiliates of the registrant.

$279,585,657

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of March 21, 1984.

Common Stock 14,424,614 Shares

DOCUMENTS INCORPORATED BY REFERENCE

1. The Company's Proxy Statement for the 1984 Annual Meeting of Shareholders is incorporated by reference in Part I, Item 3 and Part III, Items 10, 11, 12 and 13.

2. The Company's Annual Report to Shareholders for the fiscal year ended December 31, 1983 is incorporated by reference in Part I, Item 1, and in Part II, Items 5, 6, 7 and 8.

PART I

Item 1. Business.

GAF Corporation (which with its subsidiaries is referred to as the "Company") is presently engaged in two industry segments: (i) the manufacture and sale of specialty chemicals (herein referred to as "chemicals"), and (ii) the manufacture and sale of building materials. The Company also operates a classical music FM radio station in the New York City market. Financial information concerning the Company's industry segments required by Item 1 is included in the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1983 (referred to as the "Annual Report," portions of which are incorporated by reference herein), page 27, Note 9 of Notes to Consolidated Financial Statements.

During 1983, prior management of the Company considered and, in some cases, executed agreements which were subsequently terminated, providing for the sale of each of the Company's businesses. Descriptions of such actions are contained in the Company's Current Reports on Form 8-K dated April and July 1983 (and filed on April 12, 1983, April 18, 1983, April 23, 1983 and August 11, 1983) and are incorporated herein by reference. On April 22, 1983, the Board of Directors approved a Plan of Complete Liquidation and Dissolution of the Company, subject to shareholder approval and based in part on the anticipated sale of both of the Company's businesses; this Plan was revoked by the Board on November 11, 1983.

The election of Directors at the Company's 1983 Annual Meeting of Shareholders, held on April 28, 1983 and adjourned a number of times thereafter, was contested by Mr. Samuel J. Heyman and The GAF Shareholders Committee for New Management which Mr. Heyman had organized. On December 13, 1983, the vote as to the Company's 1983 Annual Meeting of Shareholders was certified, and the new Board of Directors consisting of Mr. Heyman and the members of his Committee assumed office. See "Item 4—Submission of Matters to a Vote of Security Holders" below. New management has taken and is considering actions intended to reduce costs and increase profitability; such actions are described below. In addition, the incumbent Board of Directors is implementing a decentralization of the Company's corporate staff whereby many functions performed in the past at the corporate level will be assigned to each of the two operating divisions comprising the Company's two industry segments described above.

Chemicals

Principal Products

Acetylene-based chemical products—The Company processes acetylene, a highly flammable gas, into a wide variety of acetylene-based chemicals, with uses in the manufacture of plastics, synthetic fibers, cosmetics, electroplating chemicals, pharmaceuticals, solvents, adhesives and other products. Polymers include Plasdone®, PVP-Iodine, Polyclar® AT, Polyclar® 10, Polyplasdone XL®, PVP (polyvinylpyrrolidone) and Gafquat® vinylpyrrolidone copolymers. Solvents include BLO® butyrolactone, M-Pyrol® methylpyrrolidone, 2-Pyrol® 2-pyrrolidone and THF (tetrahydrofuran). Intermediates include butanediol, butynediol, butenediol and propargyl alcohol. The Company produces a monomer intermediate, V-Pyrol® N-vinyl-2-pyrrolidone. Copolymerized vinyl ethers include Gantrez® polymers.

Surfactants—The Company manufactures and sells, under trade names including Igepals®, Igepons®, Gafac®, Antaron®, Antara®, Alipal®, Antarox®, Nekal®, Emulphogene®, Emulphor®, Biopal® and Katapol®, a number of surfactants, which are agents that possess detergent, emulsifying, dispersing and wetting properties and are used in the manufacture and compounding of detergents (primarily industrial), insecticides, pesticides, textiles, paper, leather, rubber, plastics and chemicals and in the production and refining of petroleum and mineral products.

Mineral products—This line comprises mineral granules used by the roofing industry to manufacture shingles and roll roofing.

Engineering thermoplastics—The Company offers a line of polybutylene terephthalate plastics under the trademarks Gafite® and Gaftuf® and a line of thermoplastic polyester elastomers under the trademark Gaflex®.

Other specialty chemicals marketed include textile auxiliary chemicals and organometallics. One agricultural chemical is toll-manufactured.

New Products

The Company introduced several new products during 1983. These included new vinylpyrrolidone copolymers that are finding utility in corrosion control and surface decontamination, a new acetylene-based solvent—ethylpyrrolidone, an extended line of Gaflex® thermoplastic elastomers with varying durometer hardness, new Gafgard® abrasion resistant coatings with good pencil and ink acceptance and erasability for drafting film, and an extended range of Gafite® engineering thermoplastic compounds and PBT (polybutylene terephthalate) alloys.

The Company is continuing to do market development on products introduced in 1982 which include Gaftronic EB-46, Negative Electron Beam Resist and Gafgard® abrasion resistant coatings.

Sources of Raw Materials

The raw materials used in the production of the Company's chemical products are purchased from a large number of outside sources, in many cases pursuant to supply contracts which are, in general, standard for the industry. Certain of the Company's raw materials, including acetylene, are obtained from single or limited sources pursuant to supply contracts. With respect to acetylene, the Company is supplied domestically at three locations by two sources. During 1983 and previously, one of these sources failed to fulfill a portion of its contractual commitment, causing shortages of acetylene and a reduction in the Company's production of acetylene-based products. In 1983, the Company was able to obtain from the other source additional acetylene at an increased cost. In addition, the Company imported butanediol, one of the products derived from acetylene, from a jointly owned plant in West Germany (described below) in quantities in excess of those normally imported.

However, should supply from the deficient source continue to fall below contract requirements or should any of the Company's sources be interrupted for any reason, the obtaining of raw materials could involve interruption of production and increased costs. The Company is presently considering alternative sources of supply which will assure raw materials on a long-term basis. The development of certain of those sources may require significant capital investment.

Petroleum-based products are used in many of the Company's chemical manufacturing processes, and consequently the price and availability of petroleum are material to the costs of operations. The Company has been able to obtain adequate supplies of petroleum-based products.

Patents, Trademarks, etc.

The Company owns approximately 566 domestic and 260 foreign patents and approximately 160 domestic and 764 foreign trademarks, related to this industry segment. The Company believes its rights under the patents protecting a substantial number of its products to be material. The durations of the existing patents, trademarks and licenses are deemed generally satisfactory.

Seasonal Variations, Working Capital, Customers

Seasonal variations are generally not material to this industry segment. However, unusually severe weather hampered delivery of raw materials and impeded chemical plant operations during the third and fourth quarters of 1983 and the first quarter of 1984.

Inventory balances are generally sufficient to meet customers' demand and would not materially deviate from standards for the industry. This segment does not generally provide for extended payment terms to customers.

No single customer or group of customers under common control is responsible for sales in excess of 10% of the consolidated revenues. In one toll-manufacturing arrangement, sales are substantial and depend entirely upon a single customer. The contract between the Company and this customer, which was to expire in June 1983, was extended to June of 1985 and provides for increased quantities at somewhat reduced prices. In certain instances a single customer may purchase all or a significant part of the Company's output of a particular product. The Company does not believe that the loss of any one such customer would have a material adverse effect on this industry segment.

Backlog, Government Sales, Competitive Conditions

Backlog is not material to this industry segment or any of its principal products.

Sales to the federal government are not material to this industry segment.

The Company is the sole United States producer of a complete line of high-pressure acetylene-based chemicals, although it competes with imports from a large foreign manufacturer. This foreign manufacturer also has a plant in the United States for the production of butanediol and THF (tetrahydrofuran), major products in the acetylene chemical line. While another company manufactures substantial quantities of butanediol and THF, for its own use and for sale to others, the Company believes that it ranks first or second in sales volume of butanediol in the United States and that its sales of THF are approximately 25% of the market share.

In the balance of its chemical business, the Company faces competition from many companies, certain of which are substantially larger than the Company and offer a broader range of products. Generally the Company has responded to this competition by emphasizing specialized product lines. Competition in those areas of the chemical industry in which the Company is engaged is chiefly based upon price, product quality and reliability of supply. The Company believes that the great size and diversified nature of the chemical industry make it impossible to give a meaningful estimate of the relative position of the Company in this field.

Joint Venture

Pursuant to a 1975 agreement, the Company and Chemische Werke Huls, A.G. ("Huls") constructed and are operating a jointly owned plant at Marl, West Germany, for the production of butanediol. The agreement provides that Huls will supply acetylene to the plant from an adjacent manufacturing facility. The plant enables the Company to compete effectively with the manufacturer which currently dominates the European butanediol market. In addition, butanediol was imported in increased quantities from the joint venture's plant in 1983 for captive manufacturing and sale to the Company's domestic customers. An addition to the joint venture's plant in Marl is producing THF (tetrahydrofuran), a butanediol derivative. Sales of THF increased substantially in 1983.

Building Materials

Principal Products

Roofing—These products include prepared roofing (asphalt organic and inorganic glass-mat shingles, roll roofing and accessories) for the residential construction and remodeling market and built-up roofing (primarily asphalt coated and saturated organic and glass-mat felts and accessories) for commercial and institutional buildings. Included in the roofing line is the Company's premium shingle, Timberline®, and premium glass roofing membrane, Gafglas®.

Insulation—Under the Gaftemp® line the Company sells rigid polyurethane and polyurethane-composite roof deck insulation for the built-up roofing industry. The Company also sells Gaftemp® Isotherm polyurethane insulation, which has been accorded a Factory Mutual Class I rating. Class I roof assemblies are effective against severe fire exposures and afford a high degree of fire protection to the roof deck. Other building insulation products are purchased for resale from another manufacturer.

New Products

In 1983, the Company introduced GAF Shingle Underlayment, a lighter weight base for application under GAF shingle products.

Sources of Raw Materials

A major portion of the raw materials used for the manufacture of building materials is purchased from a large number of outside sources, and the balance is produced by the Company, including organic dry felt, glass-mat and roofing granules (see "Chemicals—Mineral products"), which are used to surface asphalt roofing products.

Asphalt, a major raw material for roofing, is derived from petroleum, and consequently the price and availability of petroleum are major factors in the cost of operation. The Company purchases asphalt from major oil refineries, independent operators and foreign sources.

Glass fiber for the manufacture of glass-mat used in roofing products is purchased primarily from a single source, although other sources are available.

Patents, Trademarks, etc.

The Company owns approximately 45 domestic and 40 foreign patents and approximately 60 domestic and 197 foreign trademarks related to this industry segment. The Company believes its rights under the patents protecting certain of its products to be material. The durations of the existing patents, trademarks and licenses are deemed generally satisfactory.

Seasonal Variations, Working Capital, Customers

Sales of the Company's roofing and insulation products generally decline during the winter months due to adverse weather conditions. To maintain a more constant level of manufacturing and sales, the Company has followed in 1983, as well as in previous years, the practice of "winter dating" in most regions, pursuant to which advantageous extended credit terms are offered to credit worthy customers who order and accept delivery of roofing and insulation during the winter months. A "winter dating" program is also being offered to customers in 1984.

No single customer or group of customers under common control is responsible for sales in excess of 10% of the consolidated revenues.

Backlog, Government Sales, Competitive Conditions

Backlog is not material to this industry segment or any of its principal products.

Sales to the federal government are not material to this industry segment.

The building materials industry is highly competitive. The Company believes that it is the leading producer of asphalt roof shingles and an industry leader in built-up roofing.

Competition in the roofing and insulation lines of the Company's building materials segment is based largely upon price, distribution capability, complementary product lines and credit terms.

Recent Developments

At year-end 1983, the Company shut down three building materials plants in Gloucester, New Jersey, South Bound Brook, New Jersey, and Joliet, Illinois, thereby reducing excess capacity and concentrating its resources in those facilities offering both immediate and long-term maximum returns.

In addition, the Company decided to discontinue operation of its thirteen building supply centers (listed as Distribution Centers under domestic real properties in "Item 2—Properties" below) and is currently negotiating for the sale of these units.

International

The Company's international operations, which are consolidated in the results of the Company's chemicals segment, consist principally of export of chemical products manufactured by the Company in the United States. Sales by foreign subsidiaries of such products are principally in Western Europe. Subsidiaries are also active in Australasia (Australia, New Zealand and Singapore), Brazil, Canada, Israel, Japan, Mexico and South Africa. In certain locations sales are made through distributors rather than through local subsidiaries. The Company also markets a filter bag system for liquid filtration (consisting of filter bags manufactured by the Company and hardware produced by two manufacturers to the Company's specifications) which is produced in Europe, Brazil and Canada for markets outside the United States. In 1983, the Company's international operations, including export sales from domestic operations, accounted for approximately 12.2% of its net sales. The Company does not believe there are any unusual risks attendant on its foreign operations nor are any of its industry segments dependent on such operations.

Pricing on intercompany sales is determined on a product-by-product basis and is subject to change. Such pricing is above cost and is negotiated between the operating units. See Note 10 of Notes to Consolidated Financial Statements in the Annual Report, page 28, for information as to foreign operations.

WNCN (FM)

Acquired by the Company in June 1976, WNCN, 104.3 FM, is a commercial radio station in New York City which presents classical music and programs of a cultural nature. It is on the air 24 hours a day, 7 days a week.

GAF Broadcasting Company, Inc., a wholly owned subsidiary of the Company, manages the station and also publishes a monthly magazine, Keynote, which is devoted to classical music and the arts. The magazine also includes a complete program guide for the radio station.

In 1983, WNCN began utilizing laser compact disc players for its regular broadcasts and leased to Market Information, Inc. one of its sub-carrier bands. The latter company is utilizing the leased band to provide data on a wide range of commodities to paid subscribers (primarily commodities brokers and traders) who receive the information through special leased receivers.

General

Research and Development

Research and development expenses in 1983, 1982 and 1981 are provided in the Company's Consolidated Statements of Income appearing in the Annual Report, page 17, and such figures are incorporated herein by reference.

In addition, the Company expended $1,047,343, $899,912 and $471,551 on customer-sponsored research and development services for the years 1983, 1982 and 1981, respectively.

As of February 28, 1984, 103 professional employees were engaged in Company-sponsored research and development.

Protection of the Environment

The discussion as to asbestos-related lawsuits involving the Company and appearing in response to "Item 3 — Legal Proceedings" below is incorporated herein by reference.

By reason of the nature of the Company's past and present operations and certain of the substances which are or have been used, produced or discharged in connection therewith, environmental control problems which the Company may encounter in the future cannot be predicted. As a result of changing regulatory standards, substantial additional capital expenditures and increased operating expenses, the amount of which cannot be estimated at this time, may be occasioned by the Company's continuing efforts to deal responsibly with environmental matters.

Activity continues in matters pertaining to compliance with the Toxic Substances Control Act. Systems have been set up for assessing risk to health or environment at early development stages for new products. Pre-Manufacturing Notices for new chemicals to be commercially introduced were filed as required. No information or conditions have been discovered to date which require mandatory reporting to the EPA under Section 8(e) of the Act.

The Company believes that compliance with environmental control requirements will not adversely affect its competitive position in the industries in which it is engaged. These requirements resulted in capital expenditures of $10,168,000 from 1981 through 1983. The Company currently has plans to invest an additional amount of approximately $3,298,000 in pollution abatement facilities in 1984, $2,519,000 in 1985 and $2,606,000 thereafter. No assurance can be given that the amounts actually invested will not be larger.

Employees

At January 31, 1984, the Company employed approximately 4,200 people. At such date, approximately 1,900 employees in the United States and Canada were subject to 28 union contracts, which are effective in many cases for two- or three-year periods. During 1983, there were no strikes or work stoppages.

The Company has in effect various benefit plans which include a retirement plan for hourly employees, a salary reduction plan for salaried employees and group insurance arrangements providing life, accident, hospital, surgical, medical and dental coverage. The Company and, in many cases, the employees, contribute to the costs of the insurance arrangements.

Executive Officers

The names and ages of the executive officers of the Company as of March 25, 1984, the date from which they have served as officers and their present positions with the Company are as follows:

Samuel J. Heyman	45	12/13/83	Chairman of the Board and Chief Executive Officer
Robert H. Beber	50	6/83	Executive Vice President, General Counsel and Secretary
		4/81-6/83	Senior Vice President, General Counsel and Secretary
Richard F. Smith	45	11/74	Executive Vice President
John A. Brennan	52	1/77	Senior Vice President (Building Materials)
Carl R. Eckardt	53	8/79	Senior Vice President (Chemicals)
Raymond J. Lacroix	48	10/83	Vice President and Treasurer
		1/81	Vice President and Controller
Abraham Lindenauer	55	7/83	Vice President (Materials Management)
		6/80	Vice President (Engineering and Regulatory Services)
Robert F. McCarthy	59	12/79	Vice President (Chemicals Manufacturing)
Raymond W. Smith	45	11/74	Vice President (Chemicals Marketing)
Salvatore C. Bellini	36	10/83	Controller

All executive officers were elected to their positions by the Board of Directors on December 13, 1983 (see Item 4 below) to serve without a fixed term of office. No arrangements or understandings exist between any executive officer and any other person pursuant to which the officer was selected as such. There is no family relationship between any of the executive officers.

Item 2. Properties.

The Company's domestic real properties are as follows:

Location	Facility	Division
Alabama		
Birmingham	Warehouse*	Building Materials
Huntsville	Plant*	Chemicals
Mobile	Plant	Building Materials
California		
Fontana	Plant	Building Materials
Irvine	Sales Office*	Chemicals
Delaware		
Wilmington	Distribution Center*(1)	Building Materials
Florida		
Tampa	Plant	Building Materials
Georgia		
Savannah	Plant	Building Materials
Illinois		
Elgin	Credit Office*	Building Materials
Joliet	Sales Office, Warehouse	Building Materials
Lombard	Sales Office*	Chemicals
Indiana		
Mount Vernon	Plant	Building Materials
Kansas		
Leawood	Sales Office*	Building Materials
Kentucky		
Calvert City	Plant	Chemicals

Location	Facility	Division
Maryland		
Baltimore	Plant, Warehouse, Distribution Center*(1)	Building Materials
Beltsville	Distribution Center*(1)	Building Materials
Hagerstown	Research	Chemicals
Massachusetts		
Millis	Plant	Building Materials
Minnesota		
Minneapolis	Plant, Warehouse*	Building Materials
Missouri		
Annapolis	Plant	Chemicals
St. Louis	Plant	Building Materials
New Jersey		
Bound Brook	Plant	Chemicals
Linden	Plant, Sales Office	Chemicals
South Bound Brook	Sales Office, Warehouse	Building Materials
Wayne	Administrative Offices,* Research*	Building Materials and Chemicals
New York		
Buffalo	Distribution Center*(1)	Building Materials
New York	Corporate Executive Offices*	Building Materials and Chemicals
	Office and Studios*	WNCN (FM)
Syracuse	Distribution Center*(1)	Building Materials
North Carolina		
Charlotte	Sales Office,*	Chemicals
	Distribution Center*(1)	Building Materials
Greensboro	Distribution Center*(1)	Building Materials
Ohio		
Cincinnati	Sales Office*	Chemicals
Pennsylvania		
Blue Ridge Summit	Plant	Chemicals
Erie	Plant	Building Materials
King of Prussia	Sales Office,*	Chemicals
	Distribution Center*(1)	Building Materials
Wilkes Barre	Distribution Center*(1)	Building Materials
South Carolina		
Chester	Plant	Building Materials
Tennessee		
Memphis	Distribution Center*(1)	Building Materials
Texas		
Arlington	Sales Office*	Chemicals
Dallas	Plant	Building Materials
Seadrift	Plant	Chemicals
Texas City	Plant	Chemicals
Virginia		
Norfolk	Distribution Center*(1)	Building Materials
Richmond	Distribution Center*(1)	Building Materials
Springfield	Distribution Center*(1)	Building Materials
Wisconsin		
Pembine	Plant	Chemicals

The Company's foreign real properties are as follows:

Location	Facility	Division
Australia		
Melbourne	Sales Office*	Chemicals
Sydney	Sales Office,* Distribution Center*	Chemicals
Austria		
Vienna	Sales Office,* Distribution Center*	Chemicals
Belgium		
Sint-Niklaas	Plant, Sales Office, Distribution Center	Chemicals
Brazil		
Sao Paulo	Sales Office,* Distribution Center*	Chemicals
Canada		
Mississauga	Sales Office,* Distribution Center*	Chemicals
Denmark		
Virum	Sales Office,* Distribution Center*	Chemicals
Finland		
Helsinki	Sales Office,* Distribution Center*	Chemicals
France		
Paris	Sales Office,* Distribution Center*	Chemicals
Great Britain		
Esher	Sales Office,* Administrative Office*	Chemicals
Manchester	Sales Office,* Distribution Center*	Chemicals
Israel		
Tel Aviv	Sales Office,* Distribution Center*	Chemicals
Italy		
Milan	Sales Office,* Distribution Center*	Chemicals
Japan		
Tokyo	Sales Office*	Chemicals
Mexico		
Mexico City	Sales Office,* Distribution Center*	Chemicals
The Netherlands		
Schiedam	Sales Office,* Distribution Center*	Chemicals
New Zealand		
Auckland	Sales Office,* Distribution Center*	Chemicals
Norway		
Oslo	Sales Office,* Distribution Center*	Chemicals

Location	Facility	Division
Puerto Rico		
Carolina	Sales Office*	Chemicals
Singapore		
Singapore	Sales Office,* Distribution Center*	Chemicals
South Africa		
Sandton	Sales Office,* Distribution Center*	Chemicals
Spain		
Barcelona	Sales Office,* Distribution Center*	Chemicals
Sweden		
Johanneshov	Sales Office,* Distribution Center*	Chemicals
Switzerland		
Zug	Sales Office,* Distribution Center*	Chemicals
West Germany		
Frechen	Sales Office,* Distribution Center*	Chemicals
Affiliate:		
GAF-Huls Chemie G.m.b.H Marl, West Germany	Plant	Chemicals

* Leased Property

(1) The Company is currently negotiating the sale of these Distribution Centers. See "Item 1—Business—Building Materials—Recent Developments" above.

For the purpose of the above-described properties, the divisions using said properties are: Chemicals which includes the operations described on pages 2-4, Building Materials which includes the operations described on pages 4-5 hereof, and WNCN, the classical radio station owned by the Company and described on page 6.

Many of the above-stated Distribution Centers and Plants have sales offices located on the premises.

The executive offices of the Company and a substantial portion of its administrative offices are housed at the present time in approximately 77,360 square feet of leased space at 140 West 51st Street, New York, New York. The Company has announced, however, that, on or about June 1, 1984, the corporate headquarters will be relocated to the Company's facility in Wayne, New Jersey described below. It is anticipated that the Company will retain only a small percentage of its New York City space to facilitate certain minor service functions to be retained at least initially in New York.

The WNCN (FM) studio and GAF Broadcasting Company, Inc. offices are at 1180 Avenue of the Americas.

The above-stated properties are either owned by the Company in fee or leased to the Company. That portion of the plant (building and certain equipment only) at Texas City, Texas which produces AMIBEN®, an agricultural chemical sold to the Union Carbide Corporation, is owned by that company.

The Company leases, from a corporation it organized, a number of buildings and approximately 100 acres of land in Wayne, New Jersey, at which are located its principal research and development operations, its general administrative and financial operations and its principal electronic data processing facility. The Wayne lease is capitalized in accordance with current accounting practice. See Note 11 of Notes to Consolidated Financial Statements in the Annual Report, page 29.

The Company believes that in general these plants and facilities, which are of widely varying ages and of different types of construction, have been adequately maintained, are in good condition and are suitable and adequate for the Company's operations. The Company's major facilities are, in general, satisfactorily utilized. Each plant has adequate transportation facilities for both raw materials and finished products.

Item 3. Legal Proceedings.

As of March 23, 1984 the Company was a co-defendant in approximately 15,500 pending lawsuits involving alleged health claims of non-employees relating to the inhalation of asbestos fiber. The Company has disposed of 6,872 other lawsuits involving similar claims. The Company has gone to trial in 45 cases and 33 of these cases have resulted in a defendant's verdict. Currently, some of the trial verdicts are on appeal. It is anticipated that additional suits may be filed by workers who have been exposed to asbestos dust at numerous work sites where asbestos containing materials manufactured by the Company and others were used. It is impossible to predict with any degree of certainty the number of additional suits which may be filed. However, the Company has been out of the business of manufacturing or selling asbestos or asbestos containing product since 1975, except for products in which the asbestos fiber was fully bonded or encapsulated, which products the Company discontinued in 1981. A number of employees, former employees or their dependents have filed claims under workers' compensation laws, some of which have been settled, for diseases which may be associated with the inhalation of asbestos fibers, as to which the Company is, in part, self-insured.

The Company is a defendant in 12 actions, commenced by school districts, municipalities and similar governmental entities, which allege property damage to schools and other public buildings caused, in whole or in part, by what is claimed to be the present or future need to remove asbestos material from those premises. The relief being sought is inspections, removals and/or the replacement of asbestos materials at defendants' expense, plus counsel's fees and expenses incurred in connection with the litigation.

In May 1979, the Company commenced an action in the Los Angeles, California Superior Court against its past and present insurance carriers to obtain a judicial determination that defendants are obligated to defend and indemnify the Company in numerous asbestos cases pending throughout the United States. The Company is seeking, among other things, reimbursement for past expenditures in asbestos cases as well as a full defense and indemnification in all present and future asbestos cases. In addition to declaratory relief, the Company seeks compensatory and punitive damages for breach of insurance contracts, violations of the California Insurance Code and bad faith. The Company also seeks injunctive and other equitable relief. In mid-1981 this action was coordinated with three other California actions which seek the same or similar relief. This coordinated proceeding is presently in the pre-trial discovery stage. The Company believes that the evidence developed to date supports its position.

On September 19 and December 3, 1979, defendant Insurance Company of North America ("INA") and defendants Home Indemnity Company, Home Insurance Company and City Insurance Company, respectively, offered to defend and indemnify the Company in asbestos cases pursuant to a purported reservation of rights. Defendant INA has since made payments on behalf of the Company for defense and indemnity costs related to asbestos cases and continues to pay for the entire cost of defense and indemnity of all pending asbestos cases.

In October 1983, the Company filed a lawsuit in Los Angeles, California Superior Court against its past insurance carriers to obtain a judicial determination that defendants are obligated to defend and indemnify the Company in numerous asbestos property damage cases pending throughout the United States. The Company is seeking declaratory relief as well as compensatory damages. This action is presently in the pre-trial pleading and discovery stage.

On February 2, 1981, an action was commenced against the Company and GAF Broadcasting Company, Inc., a wholly owned subsidiary of the Company, by Concert Radio, Inc. ("Concert") in the Supreme Court, State of New York, County of New York, seeking specific performance or, in the alternative, damages arising out of the alleged breach of an option agreement for the purchase of Radio Station WNCN (FM). Concert contends that the option was triggered in connection with the Company's 1980 restructuring program. It is the Company's belief that the option was not triggered and that it has substantial and meritorious defenses to this action.

On May 1, 1981, WNCN Listeners' Guild, Inc., and Classical Radio of Connecticut, Inc. filed with the Federal Communications Commission a petition to deny the WNCN license renewal application. On the same day, Classical Radio of Connecticut, Inc. filed a competing application for the same frequency on which WNCN (FM) currently operates. On June 21, 1982, the staff of the Commission denied the petition to deny WNCN's license renewal application filed by Listeners' Guild, Inc. and Classical Radio of Connecticut, Inc. and on October 1, 1982, denied a motion to reconsider its June 21, 1982 decision. On October 25, 1982, Listeners' Guild, Inc. and Classical Radio of Connecticut, Inc. petitioned the full Commission for review of the staff's decision. No decision has been rendered on that petition. Hearings on Classical Radio of Connecticut, Inc.'s competing application were held in June and July of 1983. On August 16, 1983, an Administrative Law Judge dismissed the competing application and granted WNCN's application. This decision was appealed, and on March 5, 1984, a Review Board of the Federal Communications Commission vacated the Administrative Law Judge's decision. A further hearing has not yet been scheduled. The Company believes that the petition to deny is without merit, and that the decision of the staff of the Commission will be upheld by the full Commission. The Company also believes that the competing application will not prevail and that the renewal application submitted by WNCN will be granted.

The Company is a defendant (generally one of several) in a number of cases and claims involving allegedly defective commercial roofing. The amounts claimed in a number of these cases are substantial, typically $100,000 to $500,000. Most cases are settled for a fraction of the sum demanded. While a recovery, if any, from the defendants is frequently apportioned among them, which reduces the burden of such judgments or settlements, the Company is often the only defendant able to satisfy a substantial judgment. In two cases decided in 1981 and one in 1982, jury verdicts were returned in the states of Vermont and Florida which assessed punitive damages against the Company in connection with the sale of commercial roofing products; the Company has appealed these judgments. In a decision dated September 9, 1983, the 1981 Vermont judgment involving approximately $2,300,000 (which included $1,600,000 in punitive damages) was reversed by the Vermont Supreme Court and remanded for a new trial. The other Vermont case was argued before the Vermont Supreme Court on February 27, 1984. By decision dated January 17, 1984, the 1981 Florida judgment of approximately $696,000 (of which $600,000 was punitive damages) was reversed by a Florida District Court of Appeals, which ordered the entry of a judgment in favor of the Company. The plaintiff's motion for rehearing by the District Court of Appeals has been denied.

In October 1981, the Company forwarded to several of its past and present insurance carriers approximately 200 products liability claims arising out of the sale, over a number of years, of the Company's building materials. In its transmittal letters, the Company demanded defense and indemnification under a number of general comprehensive liability policies. In response to these demands, one carrier, the Home Insurance Company and two of its subsidiaries, has commenced a declaratory judgment action against the Company in New York State Supreme Court, New York County. Thereafter, the Company commenced an action in Los Angeles, California Superior Court, against certain of its insurance carriers, to have its building materials insurance coverage claims adjudicated in that forum. A settlement between the Company and one of its primary carriers has been reached. Negotiations between the Company and two other of its primary insurance carriers with respect to such building materials insurance coverage are underway.

Descriptions of the following legal proceedings involving the Company may be found in the Company's proxy statement for the 1984 Annual Meeting of Shareholders under "Proposal No. 1—Election of Directors" with the subcaptions "Legal Proceedings" or "Executive Compensation and Certain Transactions—Employment Agreement" and are incorporated herein by reference: *GAF Corporation* v. *Heyman; Heyman* v. *GAF Corporation, et al.*—I; *Heyman* v. *GAF Corporation, et al.*—II; *Miller* v. *GAF Corporation, et al.; Stotland* v. *GAF Corporation, et al.; Weinberger* v. *GAF Corporation, et al.; GAF Corporation* v. *Werner, et al.*; and *Werner* v. *GAF Corporation, et al.*

On March 22, 1983, prior management of the Company filed a lawsuit in the United States District Court for the Southern District of New York against Mr. Samuel J. Heyman, the present Chairman and Chief Executive Officer of the Company, the other members of The GAF Shareholders Committee for New Management, who now serve as members of the Company's Board of Directors, and several entities and one family member controlled by Mr. Heyman, alleging, among other things, the violation of the Securities Exchange Act of 1934 and Rule 14a-9 thereunder as to material issued publicly or not filed, in connection with the 1983 proxy contest wherein Mr. Heyman and the Committee members contested the election of the Company's Directors. See "Item 4—Submissions of Matters to a Vote of Security Holders" below. The Company sought, among other things, to enjoin the defendants from acquiring, voting or soliciting the Company's securities and to declare any proxy contest by the defendants void. On June 8, 1983, the District Court voided Mr. Heyman's proxies and ordered the parties to undertake a new solicitation for the election of Directors. On December 8, 1983, the United States Court of Appeals for the Second Circuit reversed the judgment of the District Court, thereby permitting Mr. Heyman and the Committee members to assume office as Directors of the Company.

On September 27, 1983, the Company was served in an action brought by the United States of America pursuant to the Federal Water Pollution Control Act in the United States District Court for the Western District of Kentucky. The complaint alleges that on numerous occasions since October 29, 1980, the Company's facility at Calvert City, Kentucky discharged wastewater contaminated with levels of pollutants in violation of the levels allowed by the Company's permit. The relief being sought is a civil penalty of $10,000 per day for each violation, a permanent injunction from future violations and the costs and disbursements of the action. The United States Attorney's office in Louisville and the Justice Department in Washington have both informed the Company's counsel that the Environmental Protection Agency is engaged in drafting a settlement proposal.

In June 1983, the Company was served in an action naming more than 20 defendants brought in state court on behalf of the Director of the Rhode Island Department of Environmental Management. It seeks, pursuant to applicable state law, recovery of damages for pollution of the ground, water and air at a site in Coventry, Rhode Island, resulting from the alleged dumping of hazardous wastes. The complaint demands $5,000,000 in compensatory damages and $5,000,000 in punitive damages jointly and severally from each of the defendants. In December 1983, the Company was served in a related action as to the same site naming more than 30 defendants brought in federal district court by the Attorney General of Rhode Island; this action seeks a declaration that the defendants are jointly and severally liable under the federal Superfund Act and Clean Water Act for the costs of surface cleanup and long-term remedial action at the site, as well as for injury to or destruction of natural resources. Costs expended to date by the state have been indicated to total approximately $7,000,000.

On March 21, 1984, the Company was 1 of 21 corporate defendants served in an action which had been commenced in 1980 against 10 individuals on behalf of the State of Louisiana. It seeks recovery of funds expended for surface cleanup and for alleged damage to natural resources occurring as a result of the alleged dumping of hazardous waste at a site near Tate Cove, Louisiana. The total demanded of the defendants, jointly and severally, is $4,000,000, although the State concedes in its complaint that the cost of surface cleanup was $1,200,000.

Item 4. Submission of Matters to a Vote of Security Holders.

On December 13, 1983, the Company's 1983 Annual Meeting of Shareholders, which had been held on April 28, 1983 and adjourned thereafter, was reconvened for the thirteenth time. The Inspectors of Election presented their Final Report certifying that the ten nominees of The GAF Shareholders Committee for New Management had been duly elected Directors of the Corporation. The individuals who were elected and who are to serve as Directors until the Corporation's next Annual Meeting are: Daniel T. Carroll, Dr. Jacob E. Goldman, Samuel J. Heyman, Sanford Kaplan, William P. Lyons, Scott A. Rogers, Jr., Edward E. Shea, William Spier, Joseph D. Tydings and Robert C. Wilson.

The slate of directors that had been proposed by the management of GAF on April 28th and which was defeated consisted of the following persons who had been serving as Directors of the Corporation: Jesse Werner, T. Roland Berner, Peter Bosshard, Augustine R. Marusi, Juliette M. Moran, James T. Sherwin, Richard F. Smith, Herman Sokol, Nolan B. Sommer and Robert Spitzer. Each of the foregoing continued as a nominee to the Board on December 13th with the exception of James T. Sherwin who resigned effective June 7, 1983 and was replaced by Robert H. Beber.

Thereafter, at the first meeting of the new Board of Directors, the Board voted to increase the size of the Board to 12 members, and elected Robert H. Beber and Richard F. Smith. Samuel J. Heyman was elected Chairman of the Board of Directors and Chief Executive Officer of the Corporation.

On December 13th, the Inspectors also certified that 1,505,257 shares voted in favor of a shareholder proposal to provide for cumulative voting in the election of Directors and 5,639,027 shares voted against this proposal.

PART II

The information required by Items 5, 6, 7 and 8 is incorporated by reference to the Company's Annual Report as follows:

Item 9. Disagreements on Accounting and Financial Disclosure.

No disagreement with accountants on any matter of accounting principles or practices or financial statement disclosure has taken place since January 1, 1981.

Deloitte Haskins & Sells has performed the audit of the Company's accounts since 1965. Management presently has under consideration proposals from several accounting firms for the Corporation's 1984 auditing services. Accordingly, no accounting firm has been selected to date to audit the Company's accounts for 1984.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by Item 10 is incorporated by reference to the proxy statement for the Company's 1984 Annual Meeting of Shareholders under the caption "Proposal No. 1 — Election of Directors — Nominees." For the information required as to Executive Officers, see Part I, "Item 1 — Business — General — Executive Officers."

Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference to the proxy statement for the Company's 1984 Annual Meeting of Shareholders under the caption "Proposal No. 1 — Election of Directors — Executive Compensation and Certain Transactions."

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by Item 12 is incorporated by reference to the Company's proxy statement for the 1983 Annual Meeting of Shareholders under the caption "Security Ownership of Certain Beneficial Owners and Management."

Item 13. Certain Relationships and Related Transactions.

The information required by Item 13 is incorporated by reference to the Company's proxy statement for the 1984 Annual Meeting of Shareholders under the captions "Proposal No. 1 — Election of Directors — Executive Compensation and Certain Transactions — Transactions with Management" and "Proposal No. 4 — Approval of Reimbursement of Proxy Expenses — Reimbursement of Proxy Expenses."

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

The following documents are filed as part of this report.

(a)(1) Financial Statements:

Financial statements of GAF Corporation and consolidated subsidiaries are incorporated by reference to the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1983. See list on page 14 herein.

Separate financial statements of GAF Corporation are omitted because its total assets, exclusive of investments in and advances to consolidated subsidiaries, constitute 75 percent or more of the total assets shown by the latest consolidated balance sheet filed and total gross revenues for the latest period for which profit and loss statements are filed, exclusive of interest and dividends received from, or equity in income of, the consolidated subsidiaries, constitute 75 percent or more of the total gross revenues shown by the consolidated profit and loss statements filed.

(2) Schedules:

Schedules for the three years ended December 31, 1983 are as follows:

Schedules, other than those listed above, are omitted because of the absence of the conditions under which they are required or because the required information, where material, is shown in the financial statements or the notes thereto.

(3) Exhibits:

3.1 —Certificate of Incorporation, as amended to September 1, 1981, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

3.2 —By-laws, as amended as of November 19, 1981, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1981.

4.1 —Composite conformed copy as in effect on August 16, 1982, of the Revolving Credit Agreement (the "Credit Agreement"), dated as of June 30, 1982, between the Company and a consortium of banks, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

4.2 —Waiver agreements, dated on or before January 20, 1983, signed by the requisite number of the banks who are parties to the Company's Revolving Credit Agreement, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

4.2.1 —Fourth Addendum to the Credit Agreement, dated as of June 30, 1982.

4.2.2 —Amendment and Extension to the Credit Agreement, dated as of February 15, 1984.

4.3 —Amendments, dated as of December 23, 1980, to Note Agreements, dated as of April 7, 1976, and Note Agreements, dated January 31, 1977, between the Company and John Hancock Mutual Life Insurance Company, The Travelers Insurance Company, Massachusetts Mutual Life Insurance Company and Aetna Life Insurance Company relating to the Company's 9½% Senior Notes due March 31, 1991 (now due March 31, 1987) and 8½% Senior Notes due January 15, 1997 (now due January 15, 1992), incorporated by reference to Exhibit 20.1 to registrant's Form 10-K for the year ended December 31, 1980.

4.4 —Waiver agreements to Note Agreements, dated as of April 7, 1976, and Note Agreements, dated January 31, 1977, between the Company and John Hancock Mutual Life Insurance Company, The Travelers Insurance Company, Massachusetts Mutual Life Insurance Company and Aetna Life Insurance Company relating to the Company's 9½% Senior Notes due March 31, 1991 (now due March 31, 1987) and 8½% Senior Notes due January 15, 1997 (now due January 15, 1992), incorporated by reference to Exhibit 20.2 to registrant's Form 10-K for the year ended December 31, 1981.

4.5 —Waiver agreements, dated as of December 26, 1980, to Loan Agreements, dated as of June 1, 1969, between the Company and Northern Trust Company, State Street Bank and Trust Company, Manufacturers Hanover Trust Company and Acacia Mutual Life relating to the Company's 5% Convertible Subordinated Notes due April 1, 1994, incorporated by reference to Exhibit 20.2 to registrant's Form 10-K for the year ended December 31, 1980.

4.6 —Waiver agreement, dated as of December 17, 1980, signed by Morgan Guaranty Trust Company of New York relating to the 1974 and 1975 Series A Pollution Control Revenue Bonds of Broome County Industrial Development Agency, due May 1, 1984, incorporated by reference to Exhibit 20.3 to registrant's Form 10-K for the year ended December 31, 1980.

4.7 —Waiver agreement, dated as of December 17, 1980, signed by Morgan Guaranty Trust Company of New York relating to the 6.15% 1974 Series A and B Pollution Control Revenue Bonds of Rensselaer County Industrial Development Agency, due July 1, 1984, incorporated by reference to Exhibit 20.4 to registrant's Form 10-K for the year ended December 31, 1980.

4.8 —Waiver agreement, dated as of December 17, 1980, signed by Morgan Guaranty Trust Company of New York relating to the 4⅝% 1973 Pollution Control Revenue Bond Series of Calvert City, Kentucky, due August 14, 1983, incorporated by reference to Exhibit 20.5 to registrant's Form 10-K for the year ended December 31, 1980.

4.9 —Waiver agreements, dated as of December 15, and December 16, 1980, signed by Manufacturers Hanover Trust Company and various consents relating to the 6⅜% 1977 Pollution Control Refunding Bonds and Economic Development Bonds of the New Jersey Economic Development Authority, issued in connection with the Company's facilities in Linden, Gloucester and Bound Brook, New Jersey, and due at various dates through July 1, 2002, incorporated by reference to Exhibit 20.6 to registrant's Form 10-K for the year ended December 31, 1980.

4.10 —Second Supplemental Indenture between the Company and Irving Trust Company, as Trustee, relating to the Company's 5⅞% Sinking Fund Debentures due December 1, 1991 (now due December 1, 1987), incorporated by reference to Exhibit 20.7 to registrant's Form 10-K for the year ended December 31, 1980.

10.1 —Assets Purchase Agreement, dated as of September 2, 1981, between the Company and Tarkett AB, as to the Company's flooring business, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.2 —Acquisition Agreement, dated December 23, 1981, by and among the Company, Aarque Office Systems, Inc. and Aarque Management Corporation, as to the Company's reprographic business, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.3 —Agreement to Purchase Receivables, dated as of March 15, 1983, between Irving Trust Company, as Purchaser, and the Company, as Seller, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.3.1 —Agreement to Purchase Receivables, dated as of March 12, 1984, between Irving Trust Company, as Purchaser, and the Company, as Seller.

10.4 —Employment Contract between the Company and Dr. Jesse Werner, dated September 17, 1981, incorporated by reference to Exhibit 10.2 to registrant's Form 10-K for the year ended December 31, 1981.

10.4.1 —Consulting Agreement, dated as of January 1, 1984, between the Company and Mr. Robert C. Wilson.

10.5 —Executive Incentive Compensation Plan, as amended through October 18, 1979, incorporated by reference to Exhibit A(1) to registrant's Form 10-K for the year ended December 31, 1975.

10.6 —Minutes of the Meeting of the Company's Board of Directors on December 17, 1981, amending the Executive Incentive Compensation Plan as to award recommendations, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.7 —Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions (the "Stock Purchase Plan"), as amended through September 23, 1982.

10.8. —Minutes of the Meeting of the Company's Board of Directors on September 22, 1983, amending the Stock Purchase Plan to provide for the lapse of ninth anniversary restrictions as of October 15, 1983.

10.9 —1975 Stock Option Plan, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.10 —Minutes of the Meeting of the Company's Board of Directors on July 22, 1982, amending the Stock Option Plan to extend the exercise date for directors and recommending to the Stock Option Committee that certain limited stock appreciation rights ("Limited Rights") be included in the registrant's stock option agreements, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.11 —Unanimous written consent of the Stock Option Committee, dated July 22, 1982, amending the Company's stock option agreements to include Limited Rights, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.12 —GAF Corporation Excess Benefit Plan, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.12.1 —Minutes of the Meeting of the Company's Board of Directors on August 10, 1983, providing for the payment of benefits pursuant to the Excess Benefit Plan while an active employee.

10.12.2 —Minutes of the Meeting of the Company's Board of Directors on October 20, 1983, providing for the payment of benefits pursuant to the Excess Benefit Plan without a determination from the Internal Revenue Service.

10.13 —Directors' Deferred Compensation Plan, as adopted on November 19, 1981, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.14 —Minutes of the Meeting of the Company's Board of Directors on December 17, 1981, amending the Directors' Deferred Compensation Plan, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.

10.15 —Indemnification Agreement, dated as of April 28, 1983, and Undertaking Agreement, dated April 28, 1983 and attached thereto as Exhibit A, in the form executed by each of the Company's Directors and certain officers and employees, as indicated.

10.16 —Escrow Agreement, dated April 28, 1983, among the Company, certain Directors and employees of the Company and Manufacturers Trust Company, as to $1.5 million for the payment of litigation expenses.

10.17 —Escrow Agreement, dated September 23, 1983, among the Company, certain Directors of the Company and Manufacturers Hanover Trust Company (the "Second Escrow Agreement"), as to $1.0 million for the payment of collective litigation expenses for certain Directors.

10.18 —Amendment, dated October 1983, as to the Second Escrow Agreement.

10.19 —Resolutions adopted by the Company's Board of Directors on August 10, 1983, amending the Company's severance policy as to Vice Presidents, Senior Vice Presidents and Executive Vice Presidents, incorporated by reference to Exhibit 10 to registrant's Form 10-Q for the quarter ended October 2, 1983.

10.20 —Agreement, dated April 12, 1983, between the Company and Odyssey Partners, as to the purchase of the Company's building materials group, incorporated by reference to Exhibit 19-1 to registrant's Form 10-Q for the quarter ended April 3, 1983.

10.21 —Agreement, dated April 22, 1983, between Allied Chemical Acquisition Corp. and the Company, as to the purchase of the Company's chemicals business, incorporated by reference to Exhibit 19-2 to registrant's Form 10-Q for the quarter ended April 3, 1983.

10.22 —Plan of Complete Liquidation and Dissolution of GAF Corporation, adopted by the Company's Board of Directors on April 22, 1983, incorporated by reference to Exhibit 19-3 to registrant's Form 10-Q for the quarter ended April 3, 1983.

10.23 —Minutes of the Meeting of the Company's Board of Directors on November 11, 1983, revoking the Plan of Complete Liquidation and Dissolution.

11 —Computation of Earnings per Common Share for the Three Years Ended December 31, 1983.

13 —Annual Report to Shareholders for the fiscal year ended December 31, 1983, certain portions of which are incorporated herein by reference. The Annual Report, except for those portions which are expressly incorporated by reference, is provided for the information of the Securities and Exchange Commission and is not to be deemed "filed."

21.1 —Form 8-K Report, dated April 1983, filed by the registrant on April 12, 1983.

21.2 —Form 8-K Report, dated April 1983, filed by the registrant on April 18, 1983.

21.3 —Form 8-K Report, dated April 1983, filed by the registrant on April 28, 1983.

21.4 —Form 8-K Report, dated July 1983, filed by the registrant on August 11, 1983.

21.5 —Excerpts from the proxy statement for the Company's 1984 Annual Meeting of Shareholders, covering material incorporated by reference in Part I hereof which appears under the following subcaptions of the caption "Proposal No. 1—Election of Directors": "Legal Proceedings" and "Executive Compensation and Certain Transactions—Employment Agreement."

22 —Subsidiaries of Registrant.

24 —Consent of Independent Public Accountants.

(b) Reports on Form 8-K.

A Report on Form 8-K dated December 13, 1983 was filed with the Securities and Exchange Commission on December 28, 1983, and it described the certification of the election of a new slate of Directors which could be deemed to have effected a change in control of the registrant.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GAF CORPORATION
(Registrant)

Date: March 26, 1984

By ______________________
(Samuel J. Heyman)
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
(Samuel J. Heyman)	Chairman of the Board and Chief Executive Officer	March 26, 1984
(Robert H. Beber)	Executive Vice President and Chief Financial Officer	March 29, 1984
(Salvatore C. Bellini)	Controller	March 27, 1984
(Daniel T. Carroll)	Director	March 26, 1984
(Jacob E. Goldman)	Director	March 26, 1984
(Sanford Kaplan)	Director	March 26, 1984
(William P. Lyons)	Director	March 26, 1984
(Scott A. Rogers, Jr.)	Director	March 26, 1984
(Edward E. Shea)	Director	March 26, 1984
(Richard F. Smith)	Director	March 26, 1984
(William Spier)	Director	March 26, 1984
(Joseph D. Tydings)	Director	March 26, 1984
(Robert C. Wilson)	Director	March 26, 1984

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

GAF CORPORATION:

We have examined the consolidated balance sheets of GAF Corporation and its consolidated subsidiaries as of December 31, 1983 and 1982 and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1983, and have issued our opinion thereon dated February 17, 1984; such financial statements and opinion are included in your 1983 Annual Report to Shareholders and are incorporated herein by reference. Our examinations also comprehended the supplemental schedules of GAF Corporation and its consolidated subsidiaries, listed in Item 14(a)(2). In our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
New York, New York
February 17, 1984

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 1983

(Dollars in Thousands)

Classification	Balance January 1, 1983	Additions at Cost	Retirements	Other Changes Add (Deduct) Transfers: Between Accounts	Other Changes Add (Deduct) Transfers: From Discontinued Segments	Balance December 31, 1983
Land	$ 6,879	$ —	$ 705	$ —	$ —	$ 6,174
Land improvements	9,451	411	967	—	—	8,895
Buildings and building equipment	60,452	1,955	8,481	(127)	586	54,385
Machinery and equipment	227,742	13,512	31,743	130	1,408	211,049
Construction in progress	9,217	(1,974)(a)	1,682	(3)	156	5,714
	$313,741	$13,904	$43,578	$ —	$2,150	$286,217

Year Ended December 31, 1982

(Dollars in Thousands)

Classification	Balance January 1, 1982	Additions at Cost	Retirements	Transfers From Discontinued Segments	Balance December 31, 1982
Land	$ 6,866	$ 47	$ 34	$ —	$ 6,879
Land improvements	9,075	638	262	—	9,451
Buildings and building equipment	60,780	1,928	2,256	—	60,452
Machinery and equipment	225,333	16,909	14,832	332	227,742
Construction in progress	11,091	(1,809)(a)	65	—	9,217
	$313,145	$17,713	$17,449	$332	$313,741

Year Ended December 31, 1981

(Dollars in Thousands)

Classification	Balance January 1, 1981	Additions at Cost	Retirements	Other Changes Add (Deduct) Transfers: Between Accounts	Other Changes Add (Deduct) Transfers: From Discontinued Segments	Other Changes Add (Deduct) Transfers: To Discontinued Segments	Balance December 31, 1981
Land	$ 6,154	$ 287	$ —	$ —	$ 425	$ —	$ 6,866
Land improvements	7,603	1,519	138	—	91	—	9,075
Buildings and building equipment	58,005	3,683	3,124	(222)	2,438	—	60,780
Machinery and equipment	218,635	28,232	22,292	222	749	(213)	225,333
Construction in progress	17,236	(6,142)(a)	8	—	14	(9)	11,091
	$307,633	$27,579	$25,562	$ —	$3,717	$(222)	$313,145

NOTE (a) Denotes net change during year.

The ranges of annual depreciation rates generally were as follows (applied principally on the straight-line basis):

Land improvements	3–10%
Buildings and building equipment	2½–20%
Machinery and equipment	5–33%

SCHEDULE VI

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 1983
(Dollars in Thousands)

Classification	Balance January 1, 1983	Additions Charged to Costs and Expenses(a)	Retirements	Transfers From Discontinued Segments	Balance December 31, 1983
Land improvements	$ 2,663	$ 748	$ 516	$ —	$ 2,895
Buildings and building equipment	26,383	4,670	5,654	363	25,762
Machinery and equipment	92,275	27,367	27,350	800	93,092
	$121,321	$32,785	$33,520	$1,163	$121,749

Year Ended December 31, 1982
(Dollars in Thousands)

Classification	Balance January 1, 1982	Additions Charged to Costs and Expenses	Retirements	Transfers From Discontinued Segments	Balance December 31, 1982
Land improvements	$ 2,332	$ 510	$ 179	$ —	$ 2,663
Buildings and building equipment	25,408	2,718	1,743		26,383
Machinery and equipment	88,995	17,489	14,262	53	92,275
	$116,735	$20,717	$16,184	$ 53	$121,321

Year Ended December 31, 1981
(Dollars in Thousands)

Classification	Balance January 1, 1981	Additions Charged to Costs and Expenses(b)	Retirements	Other Changes Add (Deduct) Between Accounts	Other Changes Add (Deduct) Transfers From Discontinued Segments	Other Changes Add (Deduct) Transfers To Discontinued Segments	Balance December 31, 1981
Land improvements	$ 1,937	$ 520	$ 126	$ —	$ 1	$ —	$ 2,332
Buildings and building equipment	23,426	4,834	3,094	(15)	305	(48)	25,408
Machinery and equipment	82,253	28,522	22,062	15	463	(196)	88,995
	$107,616	$33,876	$25,282	$ —	$769	$(244)	$116,735

NOTES (a) Includes $11,316 related to the write-off of assets in connection with provisions for certain plant shutdowns and office relocation and a $21,469 provision for depreciation charged to continuing operations.

(b) Includes $13,148 related to the write-off of assets in connection with the provision for certain felt mill shutdowns and a $20,728 provision for depreciation charged to continuing operations.

SCHEDULE VIII

GAF CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

Year Ended December 31, 1983
(Dollars in Thousands)

Description	Balance January 1, 1983	Charged to Costs and Expenses	Deductions	Balance December 31, 1983
Valuation and Qualifying Accounts Deducted From Assets To Which They Apply:				
Allowance for doubtful accounts	$3,034	$4,483	$2,808(a)	$4,709
Allowance for discounts	1,105	6,735	6,926	914
Reserve for inventory valuation	2,987	7,416	2,622	7,781

Year Ended December 31, 1982
(Dollars in Thousands)

Description	Balance January 1, 1982	Charged to Costs and Expenses	Deductions	Balance December 31, 1982
Valuation and Qualifying Accounts Deducted From Assets To Which They Apply:				
Allowance for doubtful accounts	$2,828	$1,622	$1,416(a)	$3,034
Allowance for discounts	1,419	6,000	6,314	1,105
Reserve for inventory valuation	2,847	2,585	2,445	2,987

Year Ended December 31, 1981
(Dollars in Thousands)

Description	Balance January 1, 1981	Charged to Costs and Expenses	Deductions	Balance December 31, 1981
Valuation and Qualifying Accounts Deducted From Assets To Which They Apply:				
Allowance for doubtful accounts	$1,842	$1,529	$ 543(a)	$2,828
Allowance for discounts	371	8,628	7,580	1,419
Reserve for inventory valuation	1,691	2,534	1,378	2,847

NOTE: (a) Represents write-offs of uncollectible accounts net of recoveries.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1983 | **Commission file number 1-5026**

GAF Corporation

(Exact name of registrant as specified in its charter)

EXHIBITS

EXHIBIT INDEX

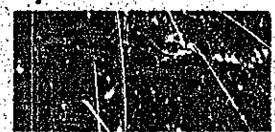
Exhibits		Page
3.1	—Certificate of Incorporation, as amended to September 1, 1981, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
3.2	—By-laws, as amended as of November 19, 1981, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1981.	
4.1	—Composite conformed copy as in effect on August 16, 1982, of the Revolving Credit Agreement (the "Credit Agreement"), dated as of June 30, 1982, between the Company and a consortium of banks, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
4.2	—Waiver agreements, dated on or before January 20, 1983, signed by the requisite number of the banks who are parties to the Company's Revolving Credit Agreement, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
4.2.1	—Fourth Addendum to the Credit Agreement, dated as of June 30, 1982.	30
4.2.2	—Amendment and Extension to the Credit Agreement, dated as of February 15, 1984.	34
4.3	—Amendments, dated as of December 23, 1980, to Note Agreements, dated as of April 7, 1976, and Note Agreements, dated January 31, 1977, between the Company and John Hancock Mutual Life Insurance Company, The Travelers Insurance Company, Massachusetts Mutual Life Insurance Company and Aetna Life Insurance Company relating to the Company's 9½% Senior Notes due March 31, 1991 (now due March 31, 1987) and 8½% Senior Notes due January 15, 1997 (now due January 15, 1992), incorporated by reference to Exhibit 20.1 to registrant's Form 10-K for the year ended December 31, 1980.	
4.4	—Waiver agreements to Note Agreements, dated as of April 7, 1976, and Note Agreements, dated January 31, 1977, between the Company and John Hancock Mutual Life Insurance Company, The Travelers Insurance Company, Massachusetts Mutual Life Insurance Company and Aetna Life Insurance Company relating to the Company's 9½% Senior Notes due March 31, 1991 (now due March 31, 1987) and 8½% Senior Notes due January 15, 1997 (now due January 15, 1992), incorporated by reference to Exhibit 20.2 to registrant's Form 10-K for the year ended December 31, 1981.	
4.5	—Waiver agreements, dated as of December 26, 1980, to Loan Agreements, dated as of June 1, 1969, between the Company and Northern Trust Company, State Street Bank and Trust Company, Manufacturers Hanover Trust Company and Acacia Mutual Life relating to the Company's 5% Convertible Subordinated Notes due April 1, 1994, incorporated by reference to Exhibit 20.2 to registrant's Form 10-K for the year ended December 31, 1980.	
4.6	—Waiver agreement, dated as of December 17, 1980, signed by Morgan Guaranty Trust Company of New York relating to the 1974 and 1975 Series A Pollution Control Revenue Bonds of Broome County Industrial Development Agency, due May 1, 1984, incorporated by reference to Exhibit 20.3 to registrant's Form 10-K for the year ended December 31, 1980.	
4.7	—Waiver agreement, dated as of December 17, 1980, signed by Morgan Guaranty Trust Company of New York relating to the 6.15% 1974 Series A and B Pollution Control Revenue Bonds of Rensselaer County Industrial Development Agency, due July 1, 1984, incorporated by reference to Exhibit 20.4 to registrant's Form 10-K for the year ended December 31, 1980.	

Exhibits		Page
4.8	—Waiver agreement, dated as of December 17, 1980, signed by Morgan Guaranty Trust Company of New York relating to the $4\frac{5}{8}\%$ 1973 Pollution Control Revenue Bond Series of Calvert City, Kentucky, due August 14, 1983, incorporated by reference to Exhibit 20.5 to registrant's Form 10-K for the year ended December 31, 1980.	
4.9	—Waiver agreements, dated as of December 15, and December 16, 1980, signed by Manufacturers Hanover Trust Company and various consents relating to the $6\frac{3}{8}\%$ 1977 Pollution Control Refunding Bonds and Economic Development Bonds of the New Jersey Economic Development Authority, issued in connection with the Company's facilities in Linden, Gloucester and Bound Brook, New Jersey, and due at various dates through July 1, 2002, incorporated by reference to Exhibit 20.6 to registrant's Form 10-K for the year ended December 31, 1980.	
4.10	—Second Supplemental Indenture between the Company and Irving Trust Company, as Trustee, relating to the Company's $5\frac{7}{8}\%$ Sinking Fund Debentures due December 1, 1991 (now due December 1, 1987), incorporated by reference to Exhibit 20.7 to registrant's Form 10-K for the year ended December 31, 1980.	
10.1	—Assets Purchase Agreement, dated as of September 2, 1981, between the Company and Tarkett AB, as to the Company's flooring business, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.2	—Acquisition Agreement, dated December 23, 1981, by and among the Company, Aarque Office Systems, Inc. and Aarque Management Corporation, as to the Company's reprographic business, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.3	—Agreement to Purchase Receivables, dated as of March 15, 1983, between Irving Trust Company, as Purchaser, and the Company, as Seller, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.3.1	—Agreement to Purchase Receivables, dated as of March 12, 1984, between Irving Trust Company, as Purchaser, and the Company, as Seller.	48
10.4	—Employment Contract between the Company and Dr. Jesse Werner, dated September 17, 1981, incorporated by reference to Exhibit 10.2 to registrant's Form 10-K for the year ended December 31, 1981.	
10.4.1	—Consulting Agreement, dated as of January 1, 1984, between the Company and Mr. Robert C. Wilson.	123
10.5	—Executive Incentive Compensation Plan, as amended through October 18, 1979, incorporated by reference to Exhibit A(1) to registrant's Form 10-K for the year ended December 31, 1979.	
10.6	—Minutes of the Meeting of the Company's Board of Directors on December 17, 1981, amending the Executive Incentive Compensation Plan as to award recommendations, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.7	—Plan for the Sale of Restricted and Unrestricted Common Stock to Employees Who Perform Executive, Administrative or Supervisory Functions (the "Stock Purchase Plan"), as amended through September 23, 1982.	128
10.8.	—Minutes of the Meeting of the Company's Board of Directors on September 22, 1983, amending the Stock Purchase Plan to provide for the lapse of ninth anniversary restrictions as of October 15, 1983.	135
10.9	—1975 Stock Option Plan, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	

Exhibits		Page
10.10	—Minutes of the Meeting of the Company's Board of Directors on July 22, 1982, amending the Stock Option Plan to extend the exercise date for directors and recommending to the Stock Option Committee that certain limited stock appreciation rights ("Limited Rights") be included in the registrant's stock option agreements, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.11	—Unanimous written consent of the Stock Option Committee, dated July 22, 1982, amending the Company's stock option agreements to include Limited Rights, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.12	—GAF Corporation Excess Benefit Plan, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.12.1	—Minutes of the Meeting of the Company's Board of Directors on August 10, 1983, providing for the payment of benefits pursuant to the Excess Benefit Plan while an active employee.	138
10.12.2	—Minutes of the Meeting of the Company's Board of Directors on October 20, 1983, providing for the payment of benefits pursuant to the Excess Benefit Plan without a determination from the Internal Revenue Service.	140
10.13	—Directors' Deferred Compensation Plan, as adopted on November 19, 1981, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.14	—Minutes of the Meeting of the Company's Board of Directors on December 17, 1981, amending the Directors' Deferred Compensation Plan, incorporated by reference to the Exhibit of the same number to registrant's Form 10-K for the year ended December 31, 1982.	
10.15	—Indemnification Agreement, dated as of April 28, 1983, and Undertaking Agreement, dated April 28, 1983 and attached thereto as Exhibit A, in the form executed by each of the Company's Directors and certain officers and employees, as indicated.	143
10.16	—Escrow Agreement, dated April 28, 1983, among the Company, certain Directors and employees of the Company and Manufacturers Trust Company, as to $1.5 million for the payment of litigation expenses.	154
10.17	—Escrow Agreement, dated September 23, 1983, among the Company, certain Directors of the Company and Manufacturers Hanover Trust Company (the "Second Escrow Agreement"), as to $1.0 million for the payment of collective litigation expenses for certain Directors.	182
10.18	—Amendment, dated October 1983, as to the Second Escrow Agreement.	195
10.19	—Resolutions adopted by the Company's Board of Directors on August 10, 1983, amending the Company's severance policy as to Vice Presidents, Senior Vice Presidents and Executive Vice Presidents, incorporated by reference to Exhibit 10 to registrant's Form 10-Q for the quarter ended October 2, 1983.	
10.20	—Agreement, dated April 12, 1983, between the Company and Odyssey Partners, as to the purchase of the Company's building materials group, incorporated by reference to Exhibit 19-1 to registrant's Form 10-Q for the quarter ended April 3, 1983.	
10.21	—Agreement, dated April 22, 1983, between Allied Chemical Acquisition Corp. and the Company, as to the purchase of the Company's chemicals business, incorporated by reference to Exhibit 19-2 to registrant's Form 10-Q for the quarter ended April 3, 1983.	

GAF

Management's Discussion and Analysis of Financial Condition and Results of Operations



Financial Condition

GAF's new management has set as its prime objective the prompt realization of the Company's underlying values. In this connection, management has already begun to implement strategic programs to further strengthen the Company's already profitable chemical operations and to effect a significant turnaround in GAF's building materials operations. These programs include tighter controls over operating costs, realizing manufacturing efficiencies, shifting operational responsibilities from the corporate to the division level and concentrating the Company's resources and marketing strategies on those products with the greatest growth potential.

While the Company's financial condition did improve in the years 1981-1983, it was principally the result of a restructuring program announced in 1980 to sell several of the Company's businesses and through benefits derived from the reversion to the Company of the residual assets of the terminated Salaried Employees Retirement Plan.

The sales of six discontinued businesses provided total cash proceeds of $194.7 million during this period, providing the Company with the necessary cash flow to offset the adverse impact of the Building Materials Division losses.

As fully explained in Note 5 to Consolidated Financial Statements, the Company terminated the Salaried Employees Retirement Plan (Plan) as of December 31, 1982, and created a new GAF Capital Accumulation Plan. As a result, the Company recognized extraordinary credits in fourth quarters 1983 and 1982 of $21.8 million and $35 million, respectively, representing the residual assets of the Plan. After receipt of a Notice of Sufficiency from the Pension Benefit Guaranty Corporation that the assets of the Plan were sufficient to discharge guaranteed obligations, the Company received $56.8 million cash in November 1983 from the Trustee.

These cash flows have allowed the Company to reduce its net debt levels from $219.7 million at December 31, 1981 to the current level of $96.1 million, a 56% decrease. At the same time, the ratio of debt to debt plus equity has decreased from 63.4% at December 31, 1981, to 47.5% and 41.3% at December 31, 1982 and 1983, respectively. The reduced debt levels, together with lower interest rates, have resulted in the additional benefit of lowering interest expense. Interest expense in 1983 of $16.3 million was down 18.7% from the prior year's $20 million. Further decreases are projected for 1984.

In 1982, the Company entered into a $100 million revolving credit facility, replacing an agreement signed in 1981. The 1982 revolving credit agreement, which was to terminate January 31, 1984, has been extended through June 1, 1984, and the Company has reduced the aggregate commitments of the banks to $50 million. The agreement includes restrictions on the payment of dividends on GAF common stock, capital expenditures, funded debt and sales of accounts and notes receivable, and requires the maintenance of minimum working capital and net worth. At December 31, 1983, $25 million of these funds were being utilized. The Company also has additional short-term lines of credit, of which approximately $13 million was unused at December 31, 1983. The available funds described herein, together with an expected increase in cash flow from future operations, helps to assure the Company the liquidity necessary to finance corporate development needs and further improve its financial condition in 1984.

The Company's working capital ratio remained stable in 1983, increasing to 1.73:1 as compared with 1.72:1 a year earlier, after dropping from 1.88:1 in 1981. Inventory levels dropped 33% in 1982 and another 8% in 1983. Of the total decrease of $57 million from 1981 levels, $53 million related to the Building Materials Division. As a result of seriously high inventory levels in this Division in 1981, a majority of the Company's roofing plants were temporarily closed in early 1982. Higher sales volumes in 1983 reduced inventory levels further.

Accounts receivable-trade increased $11.5 million (15%) in 1983 from year-end 1982 as a result of 19% higher sales in the fourth quarter 1983. Accrued liabilities increased $8.4 million (29%) in 1983 to $37.2 million, primarily due to reserves set up as part of a $26.1 million building materials plant shutdown provision and as part of a $3.5 million corporate office relocation provision.

Capital expenditures in 1983 were $13.9 million and are expected to increase significantly in 1984. This increase in capital spending will be directed mainly at additional capacity for chemicals and will be financed through internally generated funds. At the end of the year, the Company had [illegible] expenditures [illegible] various capital and operating lease obligations are detailed in Note 11 to Consolidated Financial Statements.

Results of Operations

GAF's sales and operating profits showed marked improvement in 1983 after three successive years of a downtrend caused by the depressed state of the building industry. Consolidated sales, which had decreased nearly 9% in the three-year period ended 1982, increased $76.2 million (12.2%) in 1983 due to significant volume increases in all major product lines. The Company had operating income of $24.2 million in 1983, a $39.6 million improvement from a 1982 loss of $15.4 million, which followed a $1.5 million loss in 1981. Gross margins, which had decreased from 22.5% in 1980 to 17.9% and 16.8% in 1981 and 1982, respectively, due to increased materials costs, recovered to 20.7% in 1983.

The Company's improved 1983 operating results reflect a continued strong performance by its worldwide chemical operations. Division income for chemicals rose by $9.2 million (16.6%) in 1983 on a 9.8% sales increase to $323.2 million. Higher 1983 profits resulted from increased domestic unit sales volume of specialty chemicals and roofing granules coupled with favorable manufacturing costs. Chemical sales and profits were down in 1982 as compared with 1981 due to lower sales volumes, as some of the Company's major customers reduced inventory levels in the fourth quarter.

International operations reflected significant improvement in sales and profits in 1983 despite the adverse effect of continued strength of the United States dollar. Sales increased 10.2% in 1983 after a slight increase in 1982 over 1981. International profits, which include GAF's 50% equity in a foreign chemical manufacturing company, increased 25% in 1983 and 22.8% in 1982 as compared with 1981.

The Company's chemical business continued to show a high operating return on assets, with a return of 32.6%, 27.7% and 27.9%, respectively, for the years 1983, 1982 and 1981. Division income has averaged over 19% of sales during the same period. It is expected that this segment will be even stronger in the years ahead and will continue its growth and high return on investment.

The Company's building materials business continued to sustain losses in 1983. For the year, the loss was $34.5 million, as compared with losses of $26.3 million in 1982 and $38.6 million in 1981. The [illegible] division [illegible] excluding plant shutdown provisions, was reduced to $8.4 million in 1983 principally on the strength of higher sales and production volumes, as sales increased $44.4 million (13.5%) to $373.2 million. Sales in 1982 and 1981 fell by 11.5% and 5.4%, respectively, from the prior years, primarily reflecting lower demand. Profits during this period also were adversely affected by highly competitive pricing in the industry.

Plant shutdown provisions of $26.1 million and $15.1 million are included in the results for 1983 and 1981, respectively. The $26.1 million provision, established at the end of 1983, resulted from new management's strategy to effect a turnaround in building materials operations in 1984. Certain plants that were a major ongoing profit drain will be shut down or mothballed, thereby providing working capital for the remaining operations.

Corporate operating expenses continued to decrease in 1983, declining 12.9% to $26.3 million from the prior year's $30.2 million. This followed decreases of 6.2% in 1982 and 15% in 1981, as the Company has continued its program to reduce overhead costs through staff reductions and consolidation of functions. Management expects further reductions in corporate expenses through tighter controls over operating costs and by shifting operational responsibilities from the corporate to the division level.

The Company's net results in both 1983 and 1982 were affected by several nonrecurring factors. The prolonged 1983 proxy contest resulted in a charge to operations of $10 million ($.70 per share—primary). Net income in 1982 was favorably affected by proceeds from sales of tax benefits, settlement of two lawsuits with Eastman Kodak and reversal of reserves related to the terminated Salaried Employees Retirement Plan. Total income from these items amounted to $30.1 million ($2.10 a share—primary), or 53% of the Company's total 1982 net income.

For a review of the effects of inflation on the Company's financial statements, see Supplementary Data—Financial Reporting and Changing Prices.

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Summary of Selected Financial Data

Income information is presented for continuing operations.
Millions of Dollars Except Per Share Amounts

Year Ended December 31	1983	1982	1981	1980	1979
Net Customer Sales					
Chemicals	$323.2	$294 4	$300 8	$284 4	$264 3
Building Materials	373.2	328 8	371 7	392 8	419 4
Broadcasting	3.0				
Consolidated Sales	699.4	623 2	672 5	677 2	683 7
Division Income (Loss) Before Income Taxes					
Chemicals	64.6	55 4	55 9	50 8	63 0
Building Materials	(34.5)	(26 3)	(38 6)	13 7	29 7
Broadcasting	0.5				
Total	30.6	29 1	17 3	64 5	92 7
Income (Loss) From Continuing Operations	(29.2)	12 2	(28 2)	10 3	25.8
Primary Earnings (Loss) Per Common Share Continuing Operations	(2.23)	64	(2 24)	50	1 66
Dividends Per Common Share	.05	50	80	77	68

The following Balance Sheet amounts pertaining to the year 1979 have not been restated to separately identify amounts applicable to discontinued segments See Note 4 to Consolidated Financial Statements

December 31	1983	1982	1981	1980	1979
Current Assets	$220.9	$212 4	$337 3	$482 7	$492 1
Current Liabilities	127.7	123 4	179 6	330 6	201 5
Working Capital	93.2	89 0	157 7	152 1	290 6
Property, Plant and Equipment – net	164.5	192 4	196 4	200 0	308 4
Total Assets	414.3	468 3	559 8	698 3	835 6
Short-term Debt	30.7	7 8	17 4	58 0	17 6
Total Long-term Debt	[illegible]	157 1	215 6	193 5	206 4
Shareholders Equity	[illegible]	181 9	134 7	122 3	369 0

Review of Consolidated Financial Information

Market for Common Stock

As of March 1, 1984, there were 39,640 holders of record of GAF s outstanding common stock The following information pertains to the Company's common stock, which is traded on the New York Stock Exchange

Cash Dividends Per Common Share

	1983	1982
First Quarter	$ .05	$ 20
Second Quarter	—	20
Third Quarter	—	05
Fourth Quarter	—	05

Price Range of Common Stock

	1983 High	1983 Low	1982 High	1982 Low
First Quarter	$16⅛	$12⅞	$15¼	$8⅝
Second Quarter	19⅝	15⅛	14⅝	9¾
Third Quarter	[illegible]	[illegible]	11⅞	9
Fourth Quarter	17	14⅝	14¾	9¼

See Note 6 to Consolidated Financial Statements for a discussion of restrictions on the payment of dividends

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Consolidated Statements of Income

Thousands of Dollars, Except Per Share Amounts Year Ended December 31	1983	1982	1981
Net Sales	**$699,397**	$623 236	$672 514
Costs and Expenses:			
Cost of Products Sold	**554,876**	518 766	551 893
Distribution, Selling and Administrative	**112,336**	113 256	115 294
Research and Development	**7,961**	6 612	6 777
Total Costs and Expenses	**675,173**	638 634	673 964
Operating Income (Loss)	**24,224**	(15 398)	(1 450)
Other Income (Expense) – net (Note 2)	**(48,413)**	19 410	(31 589)
Income (Loss) From Continuing Operations Before Income Taxes	**(24,189)**	4 012	(33 039)
Income Tax Benefit (Provision) (Note 3)	**(5,010)**	8 170	4 803
Income (Loss) From Continuing Operations	**(29,199)**	12 182	(28 236)
Income From Discontinued Segments (Note 4)	**—**	5 303	54 296
Extraordinary Credits (Notes 3 & 5)	**25,358**	38 744	
Net Income (Loss)	**$ (3,841)**	$ 56 229	$ 26 060
Earnings Per Common Share (Note 1)			
Primary			
Continuing	**$ (2.23)**	$ 64	$ (2 24)
Discontinued	**—**	37	3 86
Extraordinary	**1.76**	2 70	
Net Income (Loss)	**$ (.47)**	$ 3 71	$ 1 62
Fully Diluted			
Continuing	*	$ 70	$ (1 57)
Discontinued	—	30	3 07
Extraordinary	—	2 17	
Net Income	*	$ 3 17	$ 1 50
Weighted Average Number of Common and Common Equivalent Shares Outstanding (In Thousands)	**14,442**	14 338	14 078

*Figure omitted – anti-dilutive.
See Notes to Consolidated Financial Statements.

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December 31 (Thousands of Dollars)	1983	1982
Assets		
Current Assets		
Cash	**$ 14,909**	$ 9,113
Short-term investments (Note 1)	**8,559**	3,264
Accounts receivable — trade, less allowance for doubtful accounts: 1983, $4,709; 1982, $3,034	**86,228**	74,744
Accounts receivable — other	**11,938**	13,206
Inventories — net		
Finished goods	**39,297**	48,346
Work in process	**16,619**	15,819
Raw materials and supplies	**34,835**	34,680
Total inventories	**90,751**	98,845
Prepaid expenses	**3,037**	4,589
Other current assets (Note 4)	**5,480**	8,652
Total Current Assets	**220,902**	212,413
Property, Plant and Equipment, at cost		
Land and land improvements	**15,069**	16,330
Buildings and building equipment	**54,385**	60,452
Machinery and equipment	**211,049**	227,742
Construction in progress	**5,714**	9,217
Total Property, Plant and Equipment	**286,217**	313,741
Less accumulated depreciation	**121,749**	121,321
Property, Plant and Equipment — net	**164,468**	192,420
Other Assets (Notes 1, 2, 4 & 5)	**28,897**	63,499
Total Assets	**$414,267**	$468,332

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

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December 31 (Thousands of Dollars)	1983	1982
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term debt (Note 6)	**$ 30,746**	$ 7,800
Current portion of long-term debt (Note 6)	**11,516**	34,587
Accounts payable	**46,009**	50,753
Accrued liabilities (Note 4)	**37,192**	28,834
Income taxes payable	**2,284**	1,392
Total Current Liabilities	**127,747**	123,366
Long-term Debt Less Current Portion (Note 6)	**77,322**	122,489
Other Liabilities (Note 4)	**39,394**	40,558
Total Liabilities	**244,463**	286,413
Commitments and Contingencies (Note 11)		
Shareholders' Equity (Notes 6, 7 & 8)		
Preferred stock, $1 par value per share: authorized 6,000,000 shares, $1.20 convertible series issued — 1983, 2,549,398 shares, 1982, 2,554,757 shares, at assigned value of $1.25 per share (aggregate liquidation value approximately $68,000)	**3,187**	3,194
Common stock, $1 par value per share: authorized 25,000,000 shares, issued shares — 1983, 14,465,701, 1982, 14,459,004	**14,466**	14,459
Additional paid-in capital	**55,548**	55,008
Retained earnings	**103,814**	111,341
Accumulated translation adjustment (Note 1)	**(6,080)**	—
Total	**170,935**	184,002
Treasury stock, at cost		
Preferred — 76,400 shares in 1983 and 1982	**(932)**	(932)
Common — 1983, 24,010 shares, 1982, 144,747 shares	**(199)**	(1,151)
Shareholders' Equity	**169,804**	181,919
Total Liabilities and Shareholders' Equity	**$414,267**	$468,332

See Notes to Consolidated Financial Statements

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Year Ended December 31 (Dollars in Thousands)	1983	1982	1981
Cash and Short-term Investments, January 1	**$ 12,377**	$ 13,348	$ 21,935
Source (Use) of Funds			
Income (Loss) From Continuing Operations	**(29,199)**	12,182	(28,236)
Charges (credits) not affecting funds			
Depreciation	**21,469**	20,717	20,728
Deferred income taxes	**—**	(2,703)	(10,657)
Plant shutdown costs	**26,146**		15,080
Reversal of pension reserves	**—**	(7,000)	
Other net	**12,933**	(1,040)	6,437
Total from continuing operations	**31,349**	22,156	3,352
Income From Discontinued Segments	**—**	5,303	54,296
(Credits) not affecting funds	**—**	(5,303)	(54,296)
Total from discontinued segments	**—**		
Extraordinary Credits (Notes 3 & 5)	**25,358**	38,744	
(Credits) not affecting funds	**(3,527)**	(38,744)	
Total from extraordinary credits	**21,831**		
Total funds from operations	**53,180**	22,156	3,352
Cash proceeds from sales of assets of discontinued businesses	**5,216**	81,976	107,498
Additions to property, plant and equipment	**(13,904)**	(17,713)	(27,579)
Other working capital items*	**(20,850)**	(23,170)	(54,619)
Other (See Note 5 for 1983)	**34,991**	12,487	(4,902)
Total source before financing and investment activity	**58,633**	75,736	23,750
Financing and investment activity			
Decreases in short-term debt	**(10,554)**	(9,648)	(40,541)
Increases in long-term debt	**62**	801	74,282
Decreases in long-term debt	**(34,800)**	(58,794)	(52,250)
Cash dividends	**(3,686)**	(10,132)	(14,425)
Other	**1,436**	1,066	597
Total use for financing and investment activity	**(47,542)**	(76,707)	(32,337)
Increase (decrease) in cash and short-term investments	**11,091**	(971)	(8,587)
Cash and Short-term Investments, December 31	**$ 23,468**	$ 12,377	$ 13,348

*Other working capital items	1983	1982	1981
Accounts receivable trade	$(15,974)	$ 1,743	$ 2,532
Accounts receivable other	(232)	(7,126)	(63,333)
Inventories	702	47,413	(44,096)
Prepaid expenses	1,552	217	(683)
Other current assets	1,705	(3,242)	128,325
Accounts payable	(4,744)	(24,477)	(18,802)
Accrued liabilities	(4,751)	(37,531)	(54,814)
Income taxes payable	892	(167)	(3,748)
Net use of funds	$(20,850)	$(23,170)	$(54,619)

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

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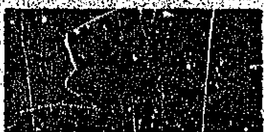
Consolidated Statements of Shareholders' Equity

[illegible]	1983	1982	1981
$1.20 Convertible Preferred Stock:			
Balance January 1	**$ 3,194**	$ 3 265	$ 3 835
Converted into common stock			
1983 [illegible] shares	**(7)**		
1982 [illegible] shares		[illegible]	
1981 456 417 shares			(570)
Balance December 31	**3,187**	3 194	3 265
Common Stock, $1 Par Value Per Share:			
Balance January 1	**14,459**	14 388	13 817
Exchanged for preferred stock converted			
1983 6 697 shares	**7**		
1982 71 283 shares		71	
1981 570 519 shares			571
Balance December 31	**14,466**	14 459	14 388
Additional Paid-in Capital:			
Balance January 1	**55,008**	54 360	53 976
Excess of proceeds over cost of treasury common stock sold	**484**	580	276
Other	**56**	68	108
Balance December 31	**55,548**	55 008	54 360
Retained Earnings:			
Balance January 1	**111,341**	65 244	53 609
Net Income (Loss)	**(3,841)**	56 229	26 060
Cash dividends			
Preferred stock ($1 20 per share)	**(2,970)**	(2 980)	(3 242)
Common stock (per share 1983 $ 05 1982 $ 50 1981 $ 80)	**(716)**	(7 152)	(11 183)
Balance December 31	**103,814**	111 341	65 244
Accumulated Translation Adjustment (Note 1)			
Accounting change at January 1 1983	**(1,903)**		
Translation adjustment for the year	**(4,177)**		
Balance December 31	**(6,080)**		
Treasury Stock, at cost			
$1 20 Convertible preferred stock			
Balance January 1 and December 31	**(932)**	(932)	(932)
Common stock			
Balance January 1	**(1,151)**	(1 638)	(1 958)
Repurchased under restricted stock purchase plan			
1983 24 013 shares	**(152)**		
1982 65 559 shares		(385)	
1981 105 100 shares			(618)
Sold under the stock option and restricted stock purchase plans			
1983 144 750 shares	**1,104**		
1982 132 279 shares		872	
1981 130 520 shares			938
Balance December 31	**(199)**	(1 151)	(1 638)
Shareholders' Equity	**$169,804**	$181 919	$134 687

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements



1. Summary of Significant Accounting Policies

Principles of Consolidation
The accounts of all significant subsidiaries of the Company are included in the consolidated financial statements. All significant intercompany transactions and balances have been eliminated. A wholly owned captive insurance subsidiary and the 50 percent ownership of a foreign chemical manufacturing company are accounted for by use of the equity method. GAF Broadcasting Company, Inc. has been consolidated effective in 1983.

Short-term Investments
Short-term investments are valued at cost, which approximates market. The balance at December 31, 1983 includes $5.8 million of securities subject to restrictions of escrow agreements.

Inventories
Inventories are valued at the lower of cost (principally average) or market.

Property, Plant and Equipment, and Related Depreciation
Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. Certain interest charges are capitalized as part of the cost of property, plant and equipment additions. See Note 2.

Cost in Excess of Net Assets Acquired
Cost in excess of net assets acquired prior to 1970 in the amount of $5,744,000 is included in Other Assets in the accompanying Consolidated Balance Sheets.

Deferred Income Taxes
Deferred income taxes arise from reporting certain income and expense items in the financial statements in periods different from those in which such amounts are reported for income tax purposes.

Investment Tax Credits
The Company accounts for investment tax credits arising since January 1, 1971 as a reduction of the provision for United States income tax (the flow-through method).

Retirement Plans
The Company and its subsidiaries have retirement plans covering certain employees. Company policy is to accrue as pension expense an amount computed by the actuary and to fund at least the minimum amount required by ERISA. See Note 5.

Reclassifications
Certain amounts in the 1982 and 1981 financial statements and footnotes thereto have been reclassified to conform with the 1983 presentation.

Foreign Currency Translation
Effective January 1, 1983, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," under which adjustments resulting from translation of foreign currency financial statements generally are excluded from the results of operations and accumulated in a separate component (Accumulated Translation Adjustment) of Shareholders Equity; the change had no material effect on 1983 results of operations. Adjustments resulting from translation of foreign currency financial statements of subsidiaries operating in highly inflationary economies, and gains and losses from foreign currency transactions, continue to be included in the determination of net income (loss) and were not material. The effect of retroactive application of the standard on 1981 and 1982 results of operations would not have been material and, therefore, those years were not restated.

Earnings Per Common Share
Primary earnings per common share are computed by dividing income (loss), adjusted for preferred stock dividend requirements, by the weighted average number of shares of common stock outstanding during the year. The computation assumes the exercise of outstanding stock options to the extent they are dilutive.

Fully diluted earnings per common share are computed on the assumption (where the effect thereof would be dilutive) that convertible securities outstanding had been converted into shares of common stock. Appropriate adjustments for dividends on preferred stock and interest on convertible notes (net of applicable income tax effect) are made to earnings applicable to common stock for assumed conversions. The computation also assumes the exercise of dilutive stock options.

2. Other Income (Expense)

A summary of Other Income (Expense) follows:

Thousands of Dollars For the Year	1983	1982	1981
Plant shutdown costs	$(26,146)	$ —	$(15,080)
Interest expense	(16,280)	(20,031)	(19,153)
Cash settlement of anti-trust lawsuit with Eastman Kodak	—	9,500	—
Proxy contest and related expenses	(10,042)	—	—
Reversal of pension reserves	—	7,000	—
Sales of tax benefits	—	6,454	1,965
Equity in income (loss) of investees	4,705	5,554	(606)
Interest income	3,531	5,550	2,894
Adjustment of self-insurance reserves	—	3,483	700
Office relocation expenses	(3,488)	—	—
Miscellaneous—net	(693)	1,900	(2,309)
Other Income (Expense)—net	$(48,413)	$ 19,410	$(31,589)

Plant Shutdown Costs
During December 1983 and December 1981 the Company provided $26.1 million for the planned closings of three roofing materials plants and $15.1 million for certain felt mill shutdowns, respectively, in the Building Materials Division. The costs represent primarily the write-off of the related buildings and equipment, and phase-out expenses.

Interest Expense
The interest expense for 1983, 1982 and 1981 is net of interest capitalized in the amounts of (in thousands) $186, $742 and $2,218, respectively.

Committee's March 17, 1983 Proxy Statement in Opposition to Management, Mr. Samuel J. Heyman, now Chairman of the Company, will seek reimbursement of approximately $3.3 million from the Company subject to submitting the matter of such reimbursement to a vote of GAF shareholders for their approval.

Reversal of Pension Reserves
The $7.0 million income in 1982 represents the reversal of pension reserves which were no longer

Sales of Tax Benefits

investment tax credits and depreciation deductions) pursuant to the leasing provisions of the Economic Recovery Tax Act of 1981.

Office Relocation Expenses
During December 1983, the Company provided $3.5 million for expenses and write-offs related to the planned 1984 relocation of its New York City offices to its administrative and research complex in Wayne, New Jersey.

Equity in Income and Net Assets of Investees
Financial data for investments which are accounted for by use of the equity method follow:

Thousands of Dollars For the Year	1983			1982		
Income Statement Data	Joint Venture*	Other	Total	Joint Venture*	Other	Total
Revenues	$39,773	$4,240	$44,013	$34,177	$2,223	$36,400
Costs and Expenses	32,418	4,876	37,294	27,522	1,932	29,454
Operating Income (Loss)	7,355	(636)	6,719	6,655	291	6,946
Income for the Year	6,994	362	7,356	7,536	1,298	8,834
GAF Equity Therein	4,343	362	4,705	4,256	1,298	5,554

Thousands of Dollars December 31	1983			1982		
Balance Sheet Data	Joint Venture*	Other	Total	Joint Venture*	Other	Total
Current Assets	$ 9,893	$ 3,993	$13,886	$ 8,415	$2,679	$11,094
Noncurrent Assets	17,434	6,706	24,140	25,087	5,235	30,322
Total Assets	27,327	10,699	38,026	33,502	7,914	41,416
Current Liabilities	6,780	34	6,814	12,038	11	12,049
Noncurrent Liabilities	4,253	7,303	11,556	9,216	4,903	14,119
Total Liabilities	11,033	7,337	18,370	21,254	4,914	26,168
Net Assets	16,294	3,362	19,656	12,248	3,000	15,248
GAF Equity Therein	7,519	3,362	10,881	5,416	3,000	8,416

*Joint Venture data presented above pertain to GAF/Hüls Chemie, GmbH, a joint venture between GAF Corporation and Chemische Werke Hüls, which operates a chemical manufacturing plant in West Germany.

3. Income Taxes

Income (Loss) From Continuing Operations Before Income Taxes consists of domestic and foreign income (loss) as follows:

Thousands of Dollars For the Year	1983	1982	1981
Domestic	$(35,819)	$ (4,985)	$(44,053)
Foreign	11,630	8,997	11,014
Income (Loss) From Continuing Operations Before Income Taxes	$(24,189)	$ 4,012	$(33,039)

The Income Tax Benefit (Provision) applicable to continuing operations consists of the following:

Thousands of Dollars For the Year	1983	1982	1981
United States—current	$ —	$10,700	$ —
United States—deferred	—	2,703	10,657
Foreign—current	(1,783)	(1,489)	(5,554)
Foreign—charge in lieu of taxes	(3,527)	(3,744)	—
State	300	—	(300)
Income Tax Benefit (Provision)	$(5,010)	$ 8,170	$ 4,803

The differences between the income tax benefit (provision) computed by applying the statutory federal income tax rate to pre-tax income (loss) and the actual income tax benefit (provision) applicable to continuing operations are as follows:

Thousands of Dollars For the Year	1983	1982	1981
Tax benefit (provision) at the U.S. statutory rate	$ 11,127	$ (1,846)	$ 15,198
Adjustments:			
Operating loss carryback (carryforward)	(19,674)	8,458	(10,660)
Domestic International Sales Corporation and depletion allowances	984	1,058	871
Foreign operations	2,038	978	(385)
Other—net	515	(478)	(221)
Income Tax Benefit (Provision)	$ (5,010)	$ 8,170	$ 4,803

The United States deferred income tax benefit applicable to continuing operations is summarized as follows:

Thousands of Dollars [illegible]	1983	1982	1981
[illegible] tax effect of certain 1977 reserves	$ —	$2,703	$ 9,147
Other—net	—	—	1,510
Total	$ —	$2,703	$10,657

For income tax reporting purposes, operating loss carryforwards of approximately $70 million are available at December 31, 1983, of which approximately $60 million is available for offset against future United States taxable income through 1998. The remainder is applicable to consolidated subsidiaries located principally in Western Europe and will expire at various dates through 1993. In addition, United States investment tax credit carryforwards of approximately $10 million are available as of December 31, 1983 for offset against future United States tax liabilities through 1998.

Provision has not been made for United States income taxes on approximately $20 million of unremitted earnings of consolidated foreign subsidiaries as of December 31, 1983 because it is management's intention to reinvest such earnings indefinitely. Any United States taxes payable on foreign earnings which may be remitted in the future are expected to be substantially reduced by the combined effects of net operating loss carryforwards and foreign tax credits. United States income taxes have not been provided on the approximately $15 million of unremitted earnings of the Domestic International Sales Corporation subsidiary through December 31, 1983 because the Company intends to postpone indefinitely the remittance of such earnings.

Extraordinary credits for 1983 and 1982 include $3,527,000 and $3,744,000, respectively, representing the income tax benefit from the utilization of foreign operating loss carryforwards. Future utilization of the operating loss carryforwards for United States income tax purposes may require the restoration of applicable deferred income tax amounts.

4. Discontinued Segments

In 1980, the Company discontinued a number of businesses, most of which were sold during 1981. The reprographics business was sold on January 8, 1982, effective as of December 31, 1981, which substantially completed the discontinuance program. Long-term notes receivable of $9.7 million and $12.6 million relating to the sales of discontinued businesses are included in Other Assets at December 31, 1983 and 1982, respectively.

As of December 31, 1980 a provision for estimated loss from disposition of discontinued segments was recorded and consisted of a reserve for the loss on disposition of assets and a liability for anticipated phase-out costs. Such reserve and liability were reevaluated in 1981 in connection with the sales of those businesses and were determined to be more than needed to cover anticipated costs. The excess of $43.6 million (after taxes of $6.5 million) was restored to Income From Discontinued Segments, which for 1981 also included $10.7 million income (after taxes of $9.2 million) consisting primarily of the reversal of pension reserves, relating to 1977 discontinuances, which were no longer required. Income From Discontinued Segments for 1982 includes the reversal of a $7.1 million reserve (less a related tax benefit of $2.7 million) for royalties established in 1977, which was no longer required as a result of the dismissal of an Eastman Kodak patent suit against the Company.

Activity in the discontinued reserve and liability is summarized below:

Millions of Dollars	Reserve for Loss On Disposition of Assets	Liability for Phase-Out Costs	Total
Balance, January 1, 1981	$ 126.0	$ 121.7	$ 247.7
Activity during 1981	(114.3)	(30.3)	(144.6)
Adjustment of balance	6.6	(56.7)	(50.1)
Balance, December 31, 1981	18.3	34.7	53.0
Activity during 1982	(5.6)	(14.1)	(19.7)
Balance, December 31, 1982	12.7	20.6	33.3
Activity during 1983	(9.3)	(2.6)	(11.9)
Balance, December 31, 1983	$ 3.4	$ 18.0	$ 21.4

At December 31, 1983, the current portion of the liability for phase-out costs is $3.3 million and is included in Accrued Liabilities; the noncurrent portion of $14.7 million is included in Other Liabilities. Comparable current and long-term amounts at December 31, 1982 were $2.3 million and $18.3 million, respectively.

Assets of discontinued segments are included in Other Current Assets and are summarized below:

December 31 (Millions of Dollars)	1983	1982
Accounts receivable—net	$0.9	$ 3.9
Inventories	—	0.3
Property, plant & equipment—net	4.3	16.1
Other	—	1.1
Total Assets	5.2	21.4
Less reserve for loss on disposition of assets	3.4	12.7
Total Assets at Estimated Net Realizable Value	$1.8	$ 8.7

5. Retirement Plans

In June 1981, the Company announced a change in the assets [illegible] of the employee pension funds as a result of the restructuring program. A dedicated bond portfolio, with an assumed interest rate of return of 12 percent which approximates the yield to maturity on the portfolio, was established to provide income sufficient to meet the actuarially calculated payments to all retirees and vested former employees, including those of the discontinued [illegible]. At the same time, the Company adopted [illegible] percent [illegible] assumed rate of return on plan assets and salary increases to [illegible] percent and 6 percent, respectively, for active plan participants. Those changes

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eliminated the [illegible] service cost resulted in an overfunded position for the value of vested benefits and generated an actuarial gain to be amortized over ten years. The effect was a decrease of $7,500,000, without tax benefit, in the loss from continuing operations for 1981 or $.53 Primary—Continuing Earnings Per Common Share.

Phase-out costs accrued in connection with the 1977 and 1980 discontinuance programs included amounts for future pension costs for which the remaining aggregate liability was $43,842,000 at December 31, 1980. The Company was no longer obligated to fund any benefits relating thereto and, accordingly, the $43,842,000 balance, less related taxes of $7,747,000 was restored to Income From Discontinued Segments during 1981, or $2.56 Primary—Discontinued Earnings Per Common Share.

In September 1982, the Board of Directors of the Company authorized the termination of the Salaried Employees Retirement Plan (Plan), a defined benefit plan, effective December 31, 1982, and the creation of a new GAF Capital Accumulation Plan, a defined contribution plan, for eligible salaried employees effective January 1, 1983. Approval of the termination was requested from the Internal Revenue Service (IRS) and from the Pension Benefit Guaranty Corporation (PBGC) during November 1982. An annuity contract approximating $100 million, representing the present value of the accumulated benefits of all Plan participants and their beneficiaries, was purchased from a major insurance company by the Plan's Trust Fund in November 1982.

As of December 31, 1982, the Company was awaiting receipt of the required approvals from the PBGC and the IRS so that distributions could be made to all Plan participants and their beneficiaries on the basis of their individual payment options selected, and the residual assets, which approximated $35 million at December 31, 1982, could revert to the Company. The $35 million of residual assets was recognized as an extraordinary credit, without tax effect because of the availability of loss carryforwards for income tax purposes, in the Consolidated Statement of Income for the year 1982, or $2.44 Primary—Extraordinary Earnings Per Common Share, and was included in Other Assets in the Consolidated Balance Sheet at December 31, 1982.

In October 1983, the Company received notification (Notice of Sufficiency) from the PBGC which indicated that it had found, under the Employee Retirement Income Security Act of 1974, that the assets of the Plan were sufficient, as of the proposed date of distribution, to discharge when due all obligations of the Plan with respect to guaranteed benefits. Transfers of funds were made during November 1983 by the Trustee under the Plan to the Company in the amount of $56,830,744 representing reversion of the Plan's residual assets, and to the major insurance company in the amount of $9,200,000 representing funds in escrow for settlement of the remaining obligations under the Plan subject to additional reversions to the Company. Such reversion of residual assets to the Company created an extraordinary credit of $21,830,744, without tax effect because of the availability of loss carryforwards for income tax purposes, in the Consolidated Statement of Income for the year 1983, or $1.51 Primary—Extraordinary Earnings Per Common Share.

The retirement plans for hourly employees and Texas City facility employees continue in force for eligible employees. Those pension plans are noncontributory defined benefit plans.

Pension expense charged to continuing operations was $430,000 in 1983, $873,000 in 1982 and $2,347,000 in 1981.

A comparison of the accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans is presented below:

Thousands of Dollars	1983	1982	1981
Actuarial present value of accumulated plan benefits:			
Vested	$84,898	$179,582	$167,245
Nonvested	2,487	7,057	6,784
Total	$87,385	$186,639	$174,029
Plan assets available for benefits	$95,443	$206,584	$217,395
Assumed rate of return	7%	7%	7%
Plan valuation date	1/1/83	1/1/82	1/1/81

Under the new GAF Capital Accumulation Plan, Company contributions consist of a basic contribution of 3 percent of the compensation of participants for the plan year together with matching contributions, up to an additional 4 percent as specified in the plan, for those participants who have elected to make voluntary contributions to the plan. Each participant is fully vested at all times in the balance in each of his or her accounts in the plan. The aggregate contributions made by the Company to the plan and charged to 1983 expense was $3,029,000.

6. Debt and Dividend Restrictions

Information regarding short-term debt is as follows:

Thousands of Dollars	1983	1982	1981
As of December 31:			
Balance outstanding	$30,746	$ 7,800	$17,448
Weighted average interest rate	10.7%	10.0%	16.5%
For the Year			
Average month-end short-term debt outstanding	$73,931	$13,368	$35,516
Maximum month-end short-term debt outstanding	$95,517	$17,954	$83,687
Weighted average month-end interest rate	10.1%	13.5%	16.2%

At December 31, 1983, the Company had unused short-term lines of credit aggregating approximately $13 million (in addition to the revolving credit facility discussed herein). The short-term lines of credit are maintained with banks on terms, generally renewable, expiring on various dates. Borrowings generally bear interest at or near the prime commercial lending rate.

	[illegible]	1982
[illegible]	[illegible]	1982
[illegible]	[illegible]00	$ 42,800
8¾% senior notes due January 15, 1992 with annual scheduled principal repayments	21,900	30,000
Revolving credit agreement (see below)	—	33,500
Tax-exempt industrial revenue bonds with interest at rates of 4% to 7⅝% and maturity dates to 2004. Certain assets are liened as collateral thereto.	18,243	21,053
Obligation under capital lease (Note 11)	11,113	11,906
5% convertible subordinated notes due April 1, 1994, with optional annual repayments beginning April 1, 1990	8,200	8,200
5¾% sinking fund debentures due December 1, 1987, with annual sinking fund payments of $2,500 due each December 1, net of $15,334 and $17,334, respectively, held in treasury	4,666	4,666
Other notes with various interest rates and maturity dates	1,116	4,951
Total	88,838	1[illegible]7,076
Less current portion	11,516	3[illegible],587
Long-term debt, less current portion	$77,322	$122,489

The 5 percent convertible subordinated notes are convertible into shares of common stock at any time at a conversion price of $22.50 per share (subject to antidilution adjustments in specified circumstances).

The February 1981 revolving credit agreement was replaced by a similar agreement effective as of June 30, 1982 through January 31, 1984 for a $100 million credit facility. The 1982 revolving credit agreement has been extended through June 1, 1984 as a $50 million credit facility. Interest on the borrowed funds was at the prime rate or a rate based on the London Interbank Offer Rate through January 31, 1984 and will be at the prime rate plus ¾ percent or at the London Interbank Offer Rate plus ¾ percent during the 1984 extension period through June 1, 1984. Under the agreements, a commitment fee is charged on the daily average unused portion of the commitments, and a facility fee is charged on the commitments, whether used or unused.

The 1982 agreement and the 1984 extension agreement include restrictions on the payment of cash dividends on GAF common stock (dividend covenants in other loan agreements are less restrictive), generally based upon fifty percent of the net income (excluding certain special items) subsequent to the second quarter 1982 less all cash dividends paid since June 30, 1982. At December 31, 1982 and 1983, available income, as defined, was in a deficit position restricting the payment of cash dividends on common stock. Consent to payment of the February 20, 1983 dividend was obtained from the requisite number of lenders. Until available income, as defined, becomes sufficient, cash dividends on GAF common stock cannot be paid without further consent. Dividends on GAF preferred stock and stock dividends [illegible] restricted under the revolving credit agreements. The agreements and other loan agreements contain provisions which, among other things, require the maintenance of minimum working capital and net worth, restrict capital expenditures and investments and limit the amount of debt.

Cash requirements to meet maturing long-term debt obligations during the five years subsequent to December 31, 1983 are as follows:

1984	$11,51[illegible],000
1985	$10,2[illegible]3,000
1986	$10,[illegible]08,000
1987	$12,735,000
1988	$ [illegible],981,000

Notes to Consolidated Financial Statements

7. Capital Stock

The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible at any time into common stock at the rate of 1.25 shares of common stock for each share of preferred. The Company, at any time at its option, may redeem all or any of the preferred stock at $27.50 per share. Upon voluntary or involuntary liquidation of the Company, the holders of shares of $1.20 convertible preferred stock will be entitled to receive $27.50 for each such share together with any accrued and unpaid dividends thereon.

The shares of common stock reserved for issuance at December 31, 1983 and 1982 were as follows:

Shares Reserved	1983	1982
Conversion of $1.20 convertible preferred stock	3,186,748	3,193,446
Conversion of convertible subordinated notes	364,4[illegible]4	364,444
Issuance under stock option and purchase plans	636,362	757,099
Total Shares Reserved	4,187,554	4,314,989

8. Stock Option and Stock Purchase Plans

The Company's 1975 nonqualified stock option plan provides for the granting of options to key employees to purchase common stock of the Company at not less than 100 percent of the fair market value at the date of grant. Under the terms of the plan, options for 800,000 shares of common stock may be granted during a ten-year period ending February 11, 1985. Options granted to date are exercisable one year after grant and expire after 10 years. The plan provides for stock appreciation rights, wherein an option holder may request "surrender" of the option in exchange for payment (in cash or stock) by the Company of the difference between the option and market prices on the date of surrender. The requested surrender of an option may be granted or denied at the discretion of the Stock Option Committee of the Board of Directors. The plan also provides for limited stock appreciation rights permitting the option holder to surrender exercisable options in the event of a tender or exchange offer for the Company's common stock made by someone other than the Company.

[illegible] option plan information:

Shares	1983	1982	1981
Outstanding January 1	404,650	574,150	612,670
Granted			99,000
Exercised	(144,750)	(133,000)	(76,020)
Terminated	(5,500)	(36,500)	(61,500)
Outstanding December 31	254,400	404,650	574,150
At December 31			
Exercisable	254,400	404,650	488,650
Available for grant	124,000	118,500	82,000
Option Price Range Per Share:			
Outstanding	$ 9.625-$14.875	$ 9.625-$14.875	$ 9.625-$14.875
Exercised	$ 9.625-$14.875	$ 9.625-$11.875	$ 9.625-$11.875

Under the provisions of the Company's [illegible] restricted and unrestricted stock purchase plan, 650,000 shares of common stock were authorized for sale to key employees. The plan currently provides that restricted and unrestricted shares may be sold at prices which are not less than 50 percent and 80 percent, respectively, of the closing market price preceding the date of grant. Under certain conditions, the Company has the right to repurchase restricted shares of common stock at the original selling price. At December 31, 1983, there were 257,962 shares available for sale under the stock purchase plan.

The excess of quoted market value at the date of grant over the aggregate sales price for restricted shares sold is amortized by charges to income and credits to additional paid-in capital over the restricted period.

9. Business Segments Information

Millions of Dollars For the Year	Chemicals	Building Materials	Broadcasting**	Eliminations & Adjustments*	Consolidated
1983					
Customer Sales	$323.2	$ 373.2	$3.0	$ —	$ 699.4
Intersegment Sales	20.9	—	—	(20.9)	—
Total Sales	$344.1	$ 373.2	$3.0	$ (20.9)	$ 699.4
Operating Income (Loss)	$ 58.3	$ (8.2)	$0.4	$ (16.[illegible])	$ 24.2
Other Income (Expense):					
Plant Shutdown Costs	—	(26.1)	—	—	(26.1)
Interest Expense	—	—	—	(16.3)	(16.3)
Other—net	6.3	(0.2)	0.1	(12.2)	(6.0)
Total	6.3	(26.3)	0.1	(28.5)	(48.4)
Income (Loss) From Continuing Operations Before Income Taxes	$ 64.6	$ (34.5)	$0.5	$ (54.8)	$ (24.2)
Identifiable Assets	$198.1	$ 164.[illegible]	$2.6	$ 49.[illegible]	$ 414.3
Additions to Property, Plant and Equipment	$ 5.2	$ 8.3	—	$ 0.4	$ 13.9
Depreciation	$ 10.0	$ 9.3	$0.2	$ 2.0	$ 21.5
1982					
Customer Sales	$294.4	$ 328.8		$ —	$ 623.2
Intersegment Sales	16.1	—		(16.1)	—
Total Sales	$310.5	$ 328.8	—	$ (16.1)	$ 623.2
Operating Income (Loss)	$ 44.9	$ (30.1)	—	$ (30.2)	$ (15.4)
Other Income (Expense):					
Interest Expense	—	—		(20.0)	(20.0)
Other—net	10.5	3.8		25.1	39.4
Total	10.5	3.8	—	5.1	19.4
Income (Loss) From Continuing Operations Before Income Taxes	$ 55.4	$ (26.3)	—	$ (25.1)	$ 4.0
Identifiable Assets	$199.8	$ 176.8	—	$ 91.7	$ 468.3
Additions to Property, Plant and Equipment	$ 7.7	$ 9.1	—	$ 0.9	$ 17.7
Depreciation	$ 10.6	$ 8.2	—	$ 1.9	$ 20.7
1981					
Customer Sales	$300.8	$ 371.7		$ —	$ 672.5
Intersegment Sales	24.6	—		(24.6)	—
Total Sales	$325.4	$ 371.7	—	$ (24.6)	$ 672.5
Operating Income (Loss)	$ 54.4	$ (23.7)	—	$ (32.2)	$ (1.5)
Other Income (Expense):					
Plant Shutdown Costs	—	(15.1)		—	(15.1)
Interest Expense	—	—		(19.2)	(19.2)
Other—net	1.5	0.2		[illegible]	2.8
Total	[illegible]	(14.9)	—	(18.1)	(31.5)
Income (Loss) From Continuing Operations Before Income Taxes	$ 55.9	$ (38.6)	—	$ (50.3)	$ (33.0)
Identifiable Assets	$200.6	$ 222.4	—	$ 136.8	$ 559.8
Additions to Property, Plant and Equipment	$ 12.2	$ 14.0	—	$ 1.4	$ 27.6
Depreciation	$ 9.8	$ 9.4	—	$ 1.5	$ 20.7

*Adjustments represent Corporate Office items. **Classified as a discontinued business in 1982 and 1981.

[illegible]	United States	Western Europe	Other	Eliminations & Adjustments*	Consolidated
1983					
Customer Sales	[illegible]	$53.4	$18.1	$	$699.4
Intergeographic Sales	29.0	9.4	—	(38.4)	—
Total Sales	$656.9	$62.8	$18.1	$(38.4)	$699.4
Operating Income (Loss)	$ 38.7	$ 8.2	$ 3.6	$(26.3)	$ 24.2
Other Income (Expense)					
Plant Shutdown Costs	(26.1)			—	(26.1)
Interest Expense	—		—	(16.3)	(16.3)
Other—net	(1.8)	6.8	1.2	(12.2)	(6.0)
Total	(27.9)	6.8	1.2	(28.5)	(48.4)
Income (Loss) From Continuing Operations Before Income Taxes	$ 10.8	$15.0	$ 4.8	$(54.8)	$(24.2)
Identifiable Assets	$325.5	$30.2	$ 9.1	$ 49.5	$414.3
1982					
Customer Sales	$557.4	$48.3	$17.5	$ —	$623.2
Intergeographic Sales	26.4	9.1	—	(35.5)	—
Total Sales	$583.8	$57.4	$17.5	$(35.5)	$623.2
Operating Income (Loss)	$ 6.3	$ 6.3	$ 2.2	$(30.2)	$(15.4)
Other Income (Expense):					
Interest Expense	—	—	—	(20.0)	(20.0)
Other—net	7.2	5.8	1.3	25.1	39.4
Total	7.2	5.8	1.3	5.1	19.4
Income (Loss) From Continuing Operations Before Income Taxes	$ 13.5	$12.1	$ 3.5	$(25.1)	$ 4.0
Identifiable Assets	$336.9	$25.8	$10.5	$ 95.1	$468.3
1981					
Customer Sales	$608.9	$47.2	$16.4	$ —	$672.5
Intergeographic Sales	26.4	0.8	—	(27.2)	—
Total Sales	$635.3	$48.0	$16.4	$(27.2)	$672.5
Operating Income (Loss)	$ 21.0	$ 7.2	$ 2.5	$(32.2)	$ (1.5)
Other Income (Expense):					
Plant Shutdown Costs	(15.1)	—	—	—	(15.1)
Interest Expense	—	—	—	(19.2)	(19.2)
Other—net	0.1	1.0	0.6	1.1	2.8
Total	(15.0)	1.0	0.6	(18.1)	(31.5)
Income (Loss) From Continuing Operations Before Income Taxes	$ 6.0	$ 8.2	$ 3.1	$(50.3)	$(33.0)
Identifiable Assets	$389.0	$24.2	$ 9.8	$136.8	$559.8

*Adjustments represent Corporate Office items.

Notes to Consolidated Financial Statements

11. Commitments and Contingencies

[illegible] research headquarters [illegible] Wayne [illegible] [illegible] total [illegible]

[illegible]

and $8,42[illegible] respectively. The related present value of future net minimum lease payments is reflected as long-term debt (See Note 6), and the amortization expense associated with the capital lease is included in depreciation expense. The Company also has operating leases for transportation and data processing equipment and for other buildings.

Future minimum lease payments for properties which are held under long-term noncancelable leases as of December 31, 1983 are as follows:

Thousands of Dollars Minimum Payments	Capital Lease	Operating Leases
1984	$ 1,669	$3,794
1985	1,606	1,124
1986	1,544	687
1987	1,481	163
1988	1,419	66
Later Years	9,957	21
Total minimum payments	17,676	$5,855
Less interest included above	6,563	
Present value of net minimum lease payments	$11,113	

The Company had commitments of approximately $[illegible] at December 31, 1983 for the acquisition of property, plant and equipment.

[illegible] 31, 1983 there were [illegible]

[illegible]

including approximately 15,000 cases involving claims relating to the exposure to asbestos or asbestos-containing products no longer sold by the Company. For the asbestos cases, the Company is being defended and indemnified by its insurance carriers, subject to a reservation of rights. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the Company's consolidated financial position.

12. Supplementary Financial Information

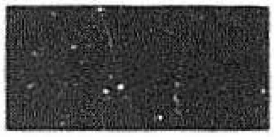
The following expenses of continuing operations are included in the Consolidated Statements of Income:

Thousands of Dollars For the Year	1983	1982	1981
Maintenance and repairs	$40,822	$41,233	$45,504
Rentals—operating leases	6,954	6,586	8,120

Auditors' Opinion

Deloitte Haskins+Sells

One World Trade Center
New York, NY 10048



To the Shareholders and Board of Directors of GAF Corporation:

We have examined the consolidated balance sheets of GAF Corporation and its consolidated subsidiaries as of December 31, 1983 and 1982 and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of the companies at December 31, 1983 and 1982 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles consistently applied.

Deloitte Haskins & Sells

February 17, 1984

Accounting Standards No. 33, "Financial Reporting and Changing Prices," the following supple

income from continuing operations. The Company's historical cost financial data have been adjusted for the effects of general inflation on inventories and property, plant and equipment (constant dollar basis) and for the effects of changes in specific prices on those assets (current cost basis). As a result, the impact on net income only reflects adjustments to depreciation expense and cost of products sold. Sales and other costs and expenses, including income taxes, have not been adjusted.

The management of the Company cautions the reader in interpreting these supplementary data due to the required use of numerous assumptions and estimates in preparing the information. These data are therefore only an indicator of the effects of inflation and do not provide a precise measurement.

Constant Dollar Information
Constant dollar accounting is a method of reporting financial data in dollars having an equal (i.e., constant) general purchasing power. As required, this information has been compiled by adjusting the historical costs of inventories and property, plant and equipment for changes in the "Consumer Price Index for All Urban Consumers."

Current Cost Information
The current cost method adjusts historical costs of the Company's inventories and property, plant and equipment to reflect changes in specific

... of replacing the assets at the balance sheet date. Plant and equipment current costs ... estimated by adjusting historical costs by external ... price indexes. ... costs were developed using current manufacturing costs. Inventory costs included in the Cost of Products Sold were determined on average current costs during the year. Under both methods, depreciation expense was adjusted based on the restated asset values using the same estimated useful lives and depreciation rates used in the primary financial statements.

Other Information
Reflecting the adverse impact of inflation, the adjusted earnings under both the constant dollar and current cost methods are lower than the results from continuing operations reported in the primary financial statements. However, it should be noted that the guidelines established by Statement No. 33 specify that the gain from the decline in purchasing power of net monetary liabilities held during the year ($3.2 million) may not be aggregated with the adjusted earnings. This gain arises because, during 1983, the Company had more liabilities which were fixed in dollars to be repaid than it had assets similarly fixed in dollars to be received. While this unrealized gain does not represent dollars which will be received in the future, it does represent an important hedge against inflation, as this net monetary liability position will be paid in dollars which have a lower purchasing power than the dollars originally received in return for the obligations.

Supplementary Data (Unaudited)

[redacted]

Consolidated Statement of Income From Continuing Operations Adjusted for Changing Prices (Unaudited)

Thousands of Dollars For the Year Ended December 31, 1983	As Reported in the Primary Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost)
Net Sales	$699,397	$699,397	$699,397
Cost of Products Sold*	537,132	540,534	540,679
Depreciation	21,469	40,198	40,684
Other Expenses—net	145,705	148,705	148,705
Interest Expense	16,280	16,280	16,280
Income Taxes	5,010	5,010	5,010
Loss from Continuing Operations	$ (29,199)	$ (51,330)	$ (51,961)
Purchasing power gain on net monetary liabilities		$ 3,178	$ 3,178
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year**			$ 5,646
Effect of increase in the general price level			13,472
Increase in specific prices over (under) effect of increase in the general price level			$ (7,826)

*Excludes $17,744 depreciation expense included in Cost of Products Sold in the primary financial statements.
**The estimated current cost of Property, Plant and Equipment—net and Inventories was $242,957 and $92,495, respectively, at December 31, 1983.

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Comparison of [illegible] Supplementary Financial Data Adjusted for Effects of Changing Prices

[illegible]	[illegible]	1982	[illegible]	[illegible]	[illegible]
Net Sales	$699 [illegible]	$[illegible] 304	$736 721	$818 805	$938 533
[illegible]					
[illegible]				[illegible]	[illegible]
[illegible]	[illegible]	[illegible]			
Net assets at year-end	246 969	261 946	251 085	266 [illegible]	685 590
Current cost information					
Income (loss) from continuing operations	(51,961)	(11,330)	(53,399)	(17,639)	5,041
Income (loss) per common share	(3.80)	(1 00)	(4.05)	(1 30)	37
Increase in specific prices of inventory and property over (under) effect of increase in general price level	(7,826)	4,031	(26,825)	1,164	18,662
Net assets at year-end	245.836	278 481	253.998	273.990	740.523
Other data, adjusted for general inflation					
Purchasing power gain on net monetary liabilities	3.178	6,339	23,609	33,303	30.483
Dividends per common share	05	52	88	93	93
Year-end market price per common share	16.35	14.29	15.24	15.44	13 15
Average Consumer Price Index	298.4	289.1	272.4	246.8	217 4

Quarterly Financial Data

	1983 by Quarter***				1982 by Quarter			
Millions of Dollars, Except Per Share Amounts	First	Second	Third	Fourth	First	Second	Third	Fourth
Net Sales	$163.6	$184.1	$184.0	$167.7	$139.5	$163.4	$179.2	$141 1
Cost of Products Sold	131.5	144.3	142.3	136.8	119.6	136.6	139.8	122.8
Gross Margin	$ 32.1	$ 39.8	$ 41.7	$ 30.9	$ 19.9	$ 26.8	$ 39.4	$ 18.3
Income (Loss) From Continuing Operations Before Income Taxes	$ 3.6	$ 3.0	$ 7.3	$ (38.1)	$ (4.8)	$ 4.2	$ 12.9	$ (8.3)
Income Tax Benefit (Provision)	(1.4)	(1.2)	(1.5)	(0.9)	1.1	4.7	2.9	(0.5)
Income (Loss) From Continuing Operations	2.2	1.8	5.8	(39.0)	(3.7)	8.9	15.8	(8.8)
Income From Discontinued Segments	—	—	—	—	5.3	—	—	—
Extraordinary Credits	1.1	0.8	1.1	22 4	1 0	1.2	0.9	35.6
Net Income (Loss)	$ 3.3	$ 2.6	$ 6.9	$ (16 6)	$ 2 6	$ 10.1	$ 16 7	$ 26.8
Earnings Per Common Share:**								
Primary								
Continuing	$ 10	$ .07	$ 35	$ (2.74)	$ (.32)	$ 57	$ 1.06	$ (.66)
Discontinued	—	—	—	—	.37	—	—	—
Extraordinary	07	.06	08	1 54	.08	.08	06	2 47
Net Income (Loss)	$ 17	$ 13	$ .43	$ (1.20)	$ 13	$ .65	$ 1.12	$ 1 81
Fully Diluted								
Continuing	*	*	$ .33	*	*	$ .50	$ 90	$ (.49)
Discontinued	—	—	—	—	—	—	—	—
Extraordinary	—	—	06	—	—	.07	05	1 99
Net Income	*	*	$ 39	*	*	$ .57	$ 95	$ 1.50

*Figure omitted—not dilutive.

**In accordance with the provisions of APB Opinion No. 15, earnings per share are calculated separately for each quarter and the full year. Accordingly, annual earnings per share will not necessarily equal the total of the interim periods.

***Restated to include GAF Broadcasting Company, Inc. consolidated effective in 1983.

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Samuel J Heyman


Robert H Beber


Daniel T Carroll


Jacob E Goldman


Sanford Kaplan


William P Lyons


Scott A Rogers Jr


Edward E Shea


Richard F Smith


William Spier


Joseph D Tydings


Robert C Wilson

Samuel J. Heyman, Chairman and Chief Executive Officer GAF Corporation President Heyman Properties (1968 present) Chief Assistant United States Attorney New Haven Division District of Connecticut (1967 68) Assistant United States Attorney District of Connecticut (1964 67) Attorney United States Department of Justice (1963 64)

Robert H. Beber, Executive Vice President (1983 present) and Senior Vice President (1981 83) GAF Corporation Vice President and General Attorney RCA Corporation (1963-81) Attorney United States Small Business Administration (1961 63) Attorney United States Army Judge Advocate General Corps (1958 61) Attorney Everett Everett & Everett (1957 58)

Daniel T. Carroll, Chairman and President The Carroll Group Inc (management consulting) (1982 present) President Chief Executive Officer and Director Hoover Universal Inc (automotive and industrial products) (1980 82) President (1975 80) and Director (1972 80) Gould Inc (electrical and electronics equipment) Board Director Combined International Corporation Comsat Corporation Diebold Incorporated Wolverine World Wide Inc and A M Castle Company

Jacob E. Goldman, President Medisystems Management Company (medical instruments) (1982 present) Consultant (1982 present) Senior Vice President and Chief Scientist (1978 82) Senior Vice President Research and Development (1968 78) and Director (1970 82) Xerox Corporation Director of Ford Motor Company s Scientific Laboratory (1962 68) Board Director Burndy Corporation Bank Leumi Trust Company of New York General Instrument Corporation, Comtex Scientific Corporation and Electronic Mail Corporation of America

Sanford Kaplan, Board Director Whittaker Corporation Intel Corporation Cordura Corporation Yardney Electric Corporation Standun Inc Wells Benrus Corporation and Silicon Systems Inc Senior Vice President (1969 73) and Director (1969 77) Xerox Corporation Senior Vice President and Director Scientific Data Systems Inc (1966-69)

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William P. Lyons, President, William P. Lyons & Co., Inc. (investment banking and financial consulting) (1975-present). Associate Professor (Adjunct) (1979-present) and Lecturer (1973-79) Yale University School of Organization and Management

Scott A. Rogers, Jr., President, Chief Executive Officer and Director, Publishers Equipment Corporation (offset printing equipment) (1981-present). President and Director, General Portland, Inc. (cement) (1979-1980). President and Director (1976-79) and Chief Executive Officer (1978-79), Medusa Corporation (cement). President, Chief Executive Officer and Director, American Chain & Cable Company, Inc. (chain, cable, industrial equipment) (1972-76)

Edward E. Shea, Counsel, Windels Marx, Davies & Ives (attorneys) (1982-present). Chairman, Reichhold Chemicals, Inc. (chemicals, resins) (1972-81)

Richard F. Smith, Executive Vice President (1978-present) and Vice President (1974-78), GAF Corporation; after joining GAF as Research Chemist in 1966, his other positions in the Company included: Director of Commercial Development, Administrative Assistant to the Chairman and Commercial Development Senior Engineer

William Spier, Private investor (1982-present). Vice Chairman and Director, Phibro-Salomon Inc. (securities and commodities) (1981-82). Senior Official, European Division, Philipp Brothers Inc. (commodities marketing) (1980-81); Director (1978-80), Executive Vice President (1979-80), Senior Vice President (1977-79) and Vice President (1976-77), Engelhard Minerals & Chemicals Corporation (commodities marketing, precious metals refining and minerals and catalysts manufacture)

Joseph D. Tydings, Partner, Finley Kumble Wagner Heine Underberg & Casey (attorneys) (1981-present). Partner, Danzansky Dickey Tydings Quint & Gordon (attorneys) (1971-81). United States Senator from Maryland (1965-71). United States Attorney for District of Maryland (1961-63). Board Director, Capital Bank, N.A.

Robert C. Wilson, Private investor (1980-present). Chairman, President and Chief Executive Officer, Memorex Corporation (information storage, communications) (1974-80). President, Chief Executive Officer and Director, Collins Radio Company (avionics, telecommunications) (1971-74). Corporate Vice President and Director, Rockwell International Corporation (1969-71). Corporate Vice President, General Electric Company (1966-69). Director, Chrysler Corporation, Computervision Corporation, The Bekins Company and Monolithic Memories, Inc.

Officers

Samuel J. Heyman
Chairman and Chief Executive Officer

***Robert H. Beber**
Executive Vice President

Richard F. Smith
Executive Vice President

John A. Brennan
Senior Vice President

Carl R. Eckardt
Senior Vice President

***Raymond J. Lacroix**
Vice President and Treasurer

***Abraham Lindenauer**
Vice President

Robert F. McCarthy
Vice President

Raymond W. Smith
Vice President

***Salvatore C. Bellini**
Controller

**Mr. Beber, Senior Vice President, General Counsel and Secretary since 1981, was elected Executive Vice President in June 1983 and continues as General Counsel and Secretary. Mr. Lacroix, Vice President and Controller since 1981, was elected Vice President and Treasurer in October 1983. Salvatore C. Bellini, formerly Director of Corporate Taxation, was elected in October 1983 to succeed Mr. Lacroix as Controller. Abraham Lindenauer, Vice President since June 1980, was appointed Director of Materials Management in July 1983.*

Shareholders Information

Annual Meeting
The 1984 Annual Meeting of Shareholders will be held at 10:00 a.m., Monday, April 30, at Chase Manhattan Bank auditorium, One Chase Manhattan Plaza, New York, NY 10081

Form 10K
A copy of the Company's Annual Report on Form 10K as filed with the Securities and Exchange Commission may be obtained, free of charge, by writing to:
GAF Corporation
140 West 51 Street
New York, NY 10020
c/o Investor Relations

Dividend Reinvestment Service
GAF offers holders of its common and preferred stock the opportunity to buy additional shares through an automatic dividend reinvestment service, administered by Morgan Guaranty Trust Company of New York. For further details contact:
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015
(212) 483-2323

Transfer Agent
Stock Transfer Agent and Registrar:
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015

GAF
Corporate Offices
140 West 51 Street
New York, NY 10020